Austria	Sch 18	Indonesia	Rp 2500	Portugal	Esc 80
Bahrain	Din 0.650	Italy	L 1300	S. Arabia	Rls 6.00
Belgium	BFr 42	Japan	Y550	Singapore	S$ 4.10
Canada	C$1.00	Jordan	Fils 500	Spain	Pta 110
Cyprus	C£0.00	Kuwait	Fils 500	Sri Lanka	Rup 30
Denmark	Dkr 7.25	Lebanon	£L 8.00	Sweden	Skr 8.50
Egypt	E£1.00	Luxembourg	LFr 42	Switzerland	SFr 2.20
Finland	Fmk 6.00	Malaysia	Rm 4.25	Taiwan	NT $85
France	FFr 6.00	Mexico	Pes. 300	Tunisia	Din 0.600
Germany	DM 2.20	Morocco	Dh 6.00	Turkey	L 210
Greece	Dr 70	Netherlands	Fl 2.50	U.A.E.	Dh 6.50
Hong Kong	HK$ 12	Norway	Nkr. 6.00	U.S.A.	$1.00
India	Rup. 15	Philippines	Pes. 20		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,670 — Tuesday July 9 1985 — D 8523 B

Capital markets: now the frontiers come down, Page 14

World news

Zimbabwe mobs on rampage after poll

Supporters of Zimbabwe's ruling Zanu-PF party have reportedly ransacked hundreds of houses of followers of the country's opposition parties as a senior government official appealed for an end to the violence.

The unrest comes a week after Zanu-PF's overwhelming general election results and follows a renewed call by Prime Minister Robert Mugabe for a one-party state.

Unconfirmed reports said three people had been killed and 600 houses damaged in black townships around the capital Harare. Page 4

'Terrorist' warning

President Ronald Reagan has singled out five countries as part of "a confederation of terrorist states" and warned that the U.S. has the right to defend itself under international law. Mr Reagan named Iran, Libya, North Korea, Cuba and Nicaragua as members of the confederation. Page 5

Cyprus talks

Cypriot President Spyros Kyprianou has arrived in Athens to discuss with Greek Prime Minister Andreas Papandreou a UN plan to settle the future of the divided island. Page 2

Boat train crash

At least 12 people were killed and more than 60 injured in Normandy when an express Le Havre to Paris train hit a truck on a level crossing at 160 kph.

Japan's poll results

Japan's ruling Liberal Democratic Party won 57 seats in the 127 member assembly as a result of Sunday's municipal elections in Tokyo. Page 4

Beirut bomb scare

A Middle East Airlines jet bound for Abu Dhabi returned to Beirut after receiving a warning that there was a bomb on board.

Changes in Guinea

Guinea's military ruler, President Lansana Conte, announced sweeping government changes after a coup attempt on Friday was foiled by loyal troops.

Diaries sentence

A West German court convicted a former reporter and an antiques dealer of selling fake Hitler diaries to the magazine Stern in a $3m fraud. Each man received a sentence of more than four years. Page 3

TV hostage deal

A London morning television programme is offering Lebanese kidnappers more than three hours broadcasting time if they will free British journalist Alec Collet.

Lange plans N-law

New Zealand Prime Minister David Lange said the ban on the docking of nuclear-capable warships would be put into law by the end of the year.

Pollution pact

Britain formally notified the EEC of its agreement to a plan to set maximum levels for car exhaust pollution.

Tax retaliation

The UK Government will accept an amendment to its Finance Bill to permit the withdrawal of tax privileges from U.S. and other companies as a retaliatory tactic to the unitary tax system in some U.S. states. Page 8

Jungle fighters die

Police killed seven jungle fighters, members of the Maoist Sendero Luminoso, in Peru's oil producing state of Loreto.

Business summary

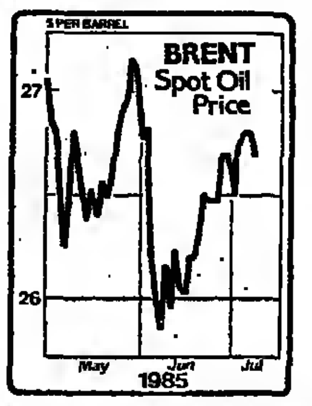
Consafe warns of SKr 300m losses

CONSAFE of Sweden, world's biggest operator of offshore exploration service platforms, says it will make a loss this year of SKr 300m ($34m). Trading in its shares was suspended on the Stockholm Stock Exchange. Page 16

WALL STREET: The Dow Jones industrial average closed down 8.04 at 1,328.41. Page 38

TOKYO share prices came under the influence of profit-takers. The Nikkei-Dow market average closed down 10.45 at 13,029.65. Page 38

LONDON remained dull, with equities edging lower. The FT Ordinary share index eased 4.5 to 951.2. Gilts improved after sterling's rise. Page 38



CRUDE OIL spot prices weakened on both sides of the Atlantic, reflecting disappointment at the failure by Opec ministers in Vienna to agree on more rational production quotas. July shipments of Brent, the main North Sea crude, were quoted down 10 cents at $26.70. Page 30

DOLLAR fell sharply in late London trading, closing at DM 2.98 (DM 3.006), FFr 9.0775 (FFr 9.15), SwFr 2.4985 (SwFr 2.5185) and Y246.0 (Y247.0). One Bank of England figures the dollar's exchange index fell to 142.7 from 143.1. Page 31

STERLING gained 1.75 cents against the dollar in London to finish at $1.345. It was also higher at DM 4.005 (DM 3.99), FFr 12.23 (FFr 12.145), SwFr 3.355 (SWFr 3.34) and Y330.5 (Y327.75). The pound's exchange index rose 0.2 to 82.2. Page 31

GOLD: In New York the Comex August settlement was $316.60. Gold rose $3.50 on the London bullion market to $315.25 but fell $2.25 in Zurich to $309.50. Page 30

BOMBAY Stock Exchange may ask brokers to cut outstanding business volume in forward trading by about 10 per cent in an effort to end speculation and soaring share prices. Page 20

ISRAEL has decided to suspend implementation of emergency decrees imposing wage cuts and dismissals of public sector workers in order to defuse growing labour unrest over the new austerity programme. Page 4

U.S. Securities and Exchange Commission has warned companies not to mislead investors during takeover talks, accusing Carnation, the dairy products group, of making "materially false and misleading" statements in 1984 when it twice denied it was in talks with Nestlé of Switzerland. Page 18

SWISS BANK general index was pushed through the 500-point psychological barrier yesterday as a result of strong demand for Swiss shares from foreign investors. The index ended up 6 at 505.1. Demand growing, Page 17; Markets, Page 38

SIEMENS, West German electrical group, has called for clarification of the financing arrangements for proposed U.S. star wars and European Eureka research programmes. It expects its earnings to rise 20 per cent this year. Page 17

HANSON TRUST shareholders subscribed for only 8 per cent of the £149m ($200m) worth of preference shares on offer in the British industrial holding group's recent rights issue. Hanson also confirmed that less than 50 per cent of £370m of ordinary shares had been taken up.

Why Montedison tied another knot in the Italian corporate web

BY JAMES BUXTON IN ROME AND ALAN FRIEDMAN IN MILAN

THE DRAMATIC stock market coup which led to yesterday's official confirmation from Italy's Montedison chemicals group that it had taken effective control – 37 per cent – of the BI-Invest financial, property and industrial holding company is far more than a L200bn ($100m) acquisition. It also has implications for Italy's network of private sector industrial and financial power which go far beyond the deal itself.

The Montedison coup puts the spotlight again on the northern Italian sphere of influence, which tends to include the Agnelli family of Fiat fame, Mediobanca, the powerful merchant bank, and Montedison itself. The giant chemicals, energy and health care group still has more than $2bn of debt (more than three times its share capital), and is predicting a return to the black this year after suffering total losses of more than $650m in the past three years.

The primary question being asked in Milan yesterday was why Montedison, a group which is only just emerging from years of crisis and radical restructuring, should go into the sectors of insurance, wine growing, mail-order catalogues and property development. The official Montedison announcement spoke of "synergy" between the BI-Invest portfolio and Montedison holdings.

And while Meta, the Montedison subsidiary through which the BI-Invest stake was bought from a mystery consortium of stock market raiders, could arguably weld together some BI-Invest subsidiaries with its own, the concept of synergy is not convincing.

Montedison's sudden decision to spend $100m in 24 hours last Wednesday and Thursday is believed to concern fears on the part of Sig Mario Schimberni, Montedison chairman, that the BI-Invest stake could fall into the hands of financial foes who would then control through BI-Invest a 17.4 per cent stake in a shell holding company – Gemina – which itself owns 17.1 per cent of Montedison.

Gemina is the vehicle which epitomises the interweaving of financial power among the Agnellis, Pirellis and other forces of northern Italy. Gemina is 26.9 per cent controlled by the Agnelli family, 17.6 per cent controlled by Mediobanca and among other things controls the Rizzoli publishing group, which owns the Corriere della Sera.

In this context, the BI-Invest group has been at best a junior partner of the Agnellis and others. Sig Carlo Bonomi, the BI-Invest chairman, inherited the chairmanship from his mother, known as "Signora Anna" and one of the toughest financial operators Milan has ever known.

But the Bonomi family stake in BI-Invest was only 30 per cent and Sig Bonomi's attempts over the past year to streamline the group and make some sense of its diverse interests – insurance, pulp and paper, textiles, wine, property – have consisted mainly of selling off assets to reduce debt.

Now Montedison is in control, having last Wednesday received a letter from the mystery consortium directed by Sig Francesco Micheli, a Milan-based art auction house dealer and a board member at Morgan Grenfell. Montedison negotiated to buy the BI-Invest stake last Thursday and Sig Schimberni approved the signing of the deal on Friday, after BI-Invest shares had jumped by 176 per cent in four weeks of stealthy buying by the Micheli group.

Montedison vociferously denies that it knew about the stock market operations, or intended to act to procure control of BI-Invest, until the surprise offer came last Wednesday. And it stresses that even for a lossmaking chemicals giant, $100m is not hard to find.

But from a Montedison strategic point of view, the BI-Invest ambush is hard to explain as merely a pre-emptive strike to protect an indirect share stake held by Gemina. The Gemina stake will probably have to be sold anyway or Montedison will appear to be holding control of a

Continued on Page 16

Montedison shares hit 1985 high, Page 38

Dow Jones gets big stake in Telerate as Exco sells out

BY CHARLES BATCHELOR IN LONDON

DOW JONES, publisher of the Wall Street Journal, is to buy a large holding in Telerate, one of the leading suppliers of electronic business information, in a move which highlights the concentration of the business information market in the hands of a small group of major companies.

Dow Jones and the privately owned Oklahoma Publishing Company, announced yesterday that they plan to pay $460m in cash for the 52 per cent holding in Telerate currently owned by Exco International, one of Britain's leading money broking companies.

This deal will leave Dow Jones with a 32 per cent interest in Telerate, a U.S. based company which is listed on the New York Stock Exchange, while Oklahoma Publishing will take a 20 per cent holding.

Mr John Gunn, Exco's chief executive, acknowledged that growing competition in the international business information market was a major reason for his company's decision to pull out.

Only last month American Telephone and Telegraph (AT&T) announced a link-up with Quotron, the electronic information service specialising in U.S. stock prices, to develop a computer-based financial information system aimed at Wall Street firms.

IBM and Merrill Lynch, the U.S. brokerage house, have been working for the past 18 months on a similar system called Imnet, while Reuters, the leading British group, has taken over a clutch of technology-based companies since it went public just over a year ago.

Mr Gunn said: "Over the past year the larger corporations, both the information carriers and the hardware companies, have been getting more and more interested in this market. We would have to commit more management, more technical resources – which we don't have – and more financial resources. We have nowhere near enough of these to play in the really big league."

Telerate provides constantly updated information on the world's financial markets to stockbrokers, banks, companies and other financial institutions through more than 24,000 video display screens.

A relative newcomer to the business information market, Telerate was set up in 1966 and has grown rapidly under its founder and president, Mr Neil Hirsch. It is market leader in areas such as U.S. government debt, but has not achieved the worldwide scope of its major rival, Reuters.

Telerate made a pre-tax profit of $18.8m on turnover of $71.1m in the six months to March 31 after a profit of $28.7m on turnover of $114m in the year to September 30 1984. Shareholders' equity amounted to $127.9m at the end of 1984.

Exco said it offered its holding in Telerate to a number of potential purchasers but Dow Jones responded in only 2½ weeks with the most fully worked out offer.

Dow Jones has been a long-time supplier of news ticker services to Telerate and has jointly managed Telerate's operation outside the U.S. with the Associated Press.

Dow Jones has a broad range of business publishing interests from its flagship newspaper, the Wall Street Journal, and Barron's magazine, to its ticker-tape and video screen news services, and local newspapers. It made pre-tax profits of $129m on turnover of $866m in its last full year.

Oklahoma Publishing is an Oklahoma City-based company which publishes the Daily Oklahoman and the Colorado Springs Sun.

It also owns, through Gaylord Broadcasting, television stations in Houston, Seattle, Dallas-Fort Worth, Tampa, Cleveland, Milwaukee and New Orleans. It has radio stations, interests in cable TV and owns Opryland USA in Nashville, which takes in country and western music's Grand Ole Opry, a theme park and a hotel.

Dow Jones and Oklahoma Publishing have agreed to pay $20 a share for the Exco stake in Telerate, a small premium to the $18⅝ closing price of the shares on Friday.

Telerate contributed $15.7m of attributable profits to Exco while Exco recieved a further $5.3m worth of gross dividends on its shareholding in the year ended December 1984.

Dow Jones and Oklahoma Publishing do not intend to make an offer for any further Telerate shares and the company will continue to be listed on the New York Stock Exchange.

Lex, Page 16; Background, Page 17

French bid for EEC transport programme

By Paul Betts in Paris

FRANCE proposed yesterday the launching of a major European infrastructure programme to reinforce road and transport communications in the EEC.

The proposal was made by the Conseil Economique et Social, the French state economic advisory body, in its half-yearly economic report.

The infrastructure programme would be essentially concentrated in Mediterranean regions to ease the problems of integrating Spain and Portugal into the EEC.

But the Conseil Economique et Social also sees the programme as a way of helping to boost growth in France at a time of heavy unemployment. The report by the influential state body warns that unemployment continues to be the major concern of the French economy and that action must be taken both at the domestic and European level to stimulate growth to tackle this crucial issue.

Apart from the new infrastructure programme, the Conseil Economique calls for greater European industrial and technological collaboration on the lines of the Esprit and Eureka programmes, a strengthening of European monetary co-operation with the Ecu assuming a more important role more quickly, and better co-ordination in European economic policies.

In France, it recommends new fiscal measures to encourage industrial investment and economic policies to help to increase purchasing power in France.

The first-half report on the state and prospects of the French economy estimates gross domestic prod-

Continued on Page 16

Ministers admit infrastructure in UK needs repair

BY JOHN LLOYD, INDUSTRIAL EDITOR, IN LONDON

BRITAIN's infrastructure – roads, public buildings, bridges and sewers – is now in urgent need of repair, according to confidential reports from government ministers to tomorrow's meeting of the National Economic Development Council (NEDC).

The NEDC is a tripartite discussion group bringing together Government, industry and trade unions.

The reports, from all the major government spending departments, will be used by union and business leaders attending the NEDC meeting to press the case for a boost to public investment. In some of the papers – particularly the two from Mrs Linda Chalker, the Transport Minister – the Government concedes that some investment programmes could be brought forward.

The exercise is seen by the Trades Union Congress (TUC) and the Confederation of British Industry (CBI), the leading employers group, as a limited but useful success in their joint behind-the-scenes effort to win concessions on public expenditure programmes from the Conservative Government.

All parties have played these discussions in a low key, because of the sensitivity of the public expenditure issue. The discussions have been notable, however, for the co-operation between TUC and CBI officials, of a kind not seen since the Thatcher Government took office in 1979.

In an overview of the Government papers, Mr John Cassels, the NEDC director-general, said it was not possible to quantify the investment needed – "though no one questions that it is substantial" and that "it will cost more to remedy the longer it is left."

Even those ministers who are most reluctant to increase public expenditure recognise that the problem is acute. Sir Keith Joseph, the Education Secretary, admits in his paper that "a significant proportion of pupils and students are being educated in buildings that are unsatisfactorily maintained – this will make more difficult the attainment of high educational standards."

The Department of Health and Social Security says that repairs to its buildings – mainly hospitals – would require expenditure of £1.7bn ($2.28bn) – while the Department of the Environment says that some 1m houses are in a serious condition, and that £10bn would be required to bring the housing stock up to acceptable modern standards.

The NEDC meeting will also focus on the linked issue of new jobs – and will consider a key paper from Mr Cassels which summarises the position of the Government, CBI and TUC – and attempts to point a way forward for them.

He says that a combination of increased demand and wage moderation could begin to cut unemployment – with the combination of the two being "two or three times" more effective than pay restraint alone. He says: "The important point is that some addition to annual demand in response to slower pay increases should make possible higher output and employment without accelerating inflation."

UK public spending targets, Page 8

UK lifts Argentine trade ban but stands firm on Falklands

BY ROBERT GRAHAM, LATIN AMERICA EDITOR, IN LONDON

BRITAIN yesterday lifted its ban on trade with Argentina, which has been in force since the Falklands conflict in 1982.

The move is the first significant concession made by Britain to restore normal relations with Argentina, and comes exactly a year after tentative Anglo-Argentine talks collapsed in Switzerland.

The lifting of the ban, which came into effect at midnight yesterday, was announced in a written reply by Sir Geoffrey Howe, the Foreign Secretary, to a House of Commons question.

The question was answered as Sir Geoffrey began a two-day visit to Brazil, which has been responsible for looking after Argentina's interests in the UK since diplomatic relations were broken as a result of the conflict.

During his conversations in Brazil Sir Geoffrey is expected to stress Britain's desire to renew a dialogue with Argentina and more generally to demonstrate to Latin America that the UK is anxious to put the Falklands conflict behind it.

In his parliamentary answer, Sir Geoffrey firmly stated that "the question of sovereignty over the Falklands Islands is not for discussion." However, he emphasised the British Government's willingness to restore normal commercial and economic relations and said that the ban was being lifted in this context.

British Foreign Office officials said last night that they hoped that Buenos Aires would interpret the move in a positive light.

Ever since last year's abortive talks, the Foreign Office has been searching for ways to restart the dialogue. The only previous notable concession was London's lifting of the ban on financial transactions – essential for the British banks dealing with Argentina's foreign debt.

Before the 1982 conflict Britain was selling £161m ($215.7m at current rates) worth of goods to Argentina and importing £136m. Since then, Argentina has allowed in some essential goods on a very selective basis, and even some Scotch whisky, which in 1984 totalled £5m. Britain, despite the ban, permitted the import of £65,000 worth of Argentine goods last year, according to Department of Trade figures.

Since the Falklands conflict, Britain has diversified away from Argentina, especially in traditional imports like corned beef and other meats.

Argentina, because of its austerity programme and shortage of foreign exchange, has drastically pruned its imports, which in Britain's case were boosted by substantial military sales.

The British Government believes thet the next move will have to come from Argentina. However, President Raul Alfonsin and his ministers have made it clear thet for them to make any concessions it is essential that Britain state its willingness to discuss the issue of the Falklands' sovereignty.

The Swiss talks formula was that Britain allow the sovereignty issue to be raised formally and then the diplomats pass on to practical matters to improve relations. This formula foundered on a mixture of mutual mistrust and Argentine frustration over sovereignty being so formally passed over.

CONTENTS

Kyprianou in Athens amid reports of overture to the Right

BY ANDRIANA IERODIACONOU IN ATHENS

PRESIDENT Spyros Kyprianou of Cyprus arrived in Athens yesterday for another round of talks with the Greek Government amid intense speculation of a significant shift in Greek-Cypriot party political alliances in Nicosia.

His visit, the second here in four weeks, also comes on the heels of a tour of the region last week by Mr Richard Haas, the U.S. State Department's special co-ordinator for Cyprus. Washington is backing a draft peace plan for Cyprus drawn up by Sr Javier Perez de Cuellar, the UN secretary-general. The plan has been accepted unconditionally by the Greek Cypriots but not yet by the Turkish Cypriots, a matter which Mr Haas is understood to have raised with the leader of the community, Mr Rauf Denktash, to Nicosia.

Since Mr Kyprianou's last visit to Athens, Greek Cypriot newspapers have reported that the President has launched exploratory talks with Mr Glafkos Clerides, leader of the right-wing Democratic Rally opposition party in Cyprus, with a possible political alliance in view.

The President dissolved an alliance with the pro-Moscow Communist opposition Akel, on the eve of UN-sponsored peace talks with Mr Denktash in New York last January. When the talks collapsed, Mr Clerides, in a marriage of convenience with the Communists, began to press for the President's resignation and the holding of early elections to replace him.

Mr Kyprianou had reportedly offered to form an alliance with Mr Clerides on his return from New York, but at the time the Rally leader rejected the offer in favour of holding out for an attempt at the Presidency himself. But Mr Kyprianou has resisted all pressure to resign, with the help of a Constitutional Court ruling last month. Any improvement now in relations with Mr Clerides will ease the political pressure on him considerably, and means that he has survived yet another political crisis.

The Communists, for their part, are blaming the reported flirtation between the President and the right-wing opposition on the U.S. Washington discreetly welcomed the dissolution of the alliance between Mr Kyprianou and Akel last winter. The Communist Party newspaper linked the latest developments with Mr Haas's visit, while senior party officials have accused the Cypriot president of seeking to form an anti-Communist front which excludes Akel from political developments on the island.

The elaborate party political ballet in Nicosia is expected to be at least one of the topics of discussion in Mr Kyprianou's talks today with Mr Andreas Papandreou, the Greek Prime Minister. Both Mr Clerides and Mr Ezekias Papaioannou, the general secretary of Akel, are expected in Athens this week for talks with Mr Papandreou.

Mr Kyprianou and Mr Papandreou are also expected to assess the result of Mr Haas's tour to the region last week. The latest UN plan for Cyprus, which Washington is supporting in the interests of improving relations between Greece and Turkey in Nato's south-eastern flank, foresees a bi-zonal federation in Cyprus. The island would be an independent republic, with a single citizenship, a Greek Cypriot president and a Turkish Cypriot vice president.

Two important sticking points in any final agreement are the specific timetable for the withdrawal of the Turkish troops which have occupied the northern third of Cyprus since 1974, and the issue of guarantees for the future state.

The Turkish Cypriots, who make up 18 per cent of the population, want urkey to be a guarantor, and would also like a Turkish military presence to remain on the island for security reasons. The Greek Cypriots are opposed to both these ideas, because they say they do not want to risk a repeat of the events of 1974, when Turkey exercised its guarantor rights to invade the island in reaction to a Greek military coup there.

Vatican bid to improve relations with Prague

By Our Berlin Correspondent

THE VATICAN'S Secretary of State, Cardinal Agostino Casaroli, held delicate talks yesterday with officials in Prague in an attempt to ease the often tense relationship between church and state in Czechoslovakia.

The meeting with the head of the government secretariat for church affairs came the day after more than 100,000 Catholics from all over the country gathered in the Moravian village of Velehrad to mark the 1,100th anniversary of the death of St Methodius, the apostle of the Slavs.

Cardinal Casaroli, attending as the personal emissary of Pope John Paul II, read a papal message saying that, in spirit, he was with the Czechoslovak worshippers. The Pope had been invited to the ceremonies by Czechoslovakia's outspoken Cardinal Frantisek Tomasek, but the Government vetoed his visit. He has been attacked repeatedly in the official Czechoslovakia media since the rise of the Solidarity labour movement in Poland in 1980.

Cardinal Basil Hume from Britain and Catholic dignitaries from other European countries were also denied visas. The Austrian government said the decision to bar Austria's Cardinal Franz Koenig would hamper steps to improve strained relations between Vienna and Prague.

During the reading of the Pope's message, worshippers frequently called out "Let the Pope come" and "Long live the Pope." Cardinal Casaroli was greeted with thunderous applause when he called the Czechoslovak Catholics the descendants of St Methodius.

By contrast the government's representative, Mr Milan Klusak, the Czechoslovak Culture Minister, spoke of the merits of the brother saints Methodius and Cyril in developing the language and literature of the Slavic peoples.

The talks between Cardinal Casaroli and the government are likely to have centred on what the church sees as an acute shortage of bishops and priests in Czechoslovakia. It *also complains that obstacles* are placed in the way of religious education and that religious orders are harassed.

Poland's plans for investment under attack

By Christopher Bobinski in Warsaw

THE CHAIRMAN of the Polish Government's economic advisory group (KRG) has added his voice to the mounting chorus of criticism of draft investment plans for the 1986-1990 period.

The debate on future investment reflects a major clash between the capital-intensive primary industry lobbies and the more modern and efficient branches eager to secure more funds.

The plan for 1986-1990 will finally be accepted by a party congress next year but the draft proposals are due to come up in parliament at the end of this month.

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David Marsh in Paris describes work on a cheap alternative to insecticides

France calls up insects for the war on crop pests

MAIZE FIELDS around France this summer will be seething with insect strife—part of a biological war on crop predators which French agricultural scientists hope eventually could turn into a lucrative international business.

The luckless objects of the battle are the pyralid moths. Known to farmers as corn-borers, they penetrate into cereal stalks and represent a permanent threat to maize-growers across a wide swathe of central Europe. The pest is now spreading out westwards through France.

At an experimental research station in the Mediterranean hinterland near Antibes in the south of France, scientists from the French agronomical research institute Inra have been carrying out work for a decade on harnessing microscopic wasps called trichogramma in the fight against the scourge. The front has currently come to a halt around Tours on the Loire.

With a FFr 6bn (£500m) a year turnover Union Nationale des Cooperatives Agricoles d'Aprovisionnement (Uncaa), the country's largest farmers' co-operative supply agency, has been financing the experiments to the tune of several million francs.

Uncaa is now trying to raise venture capital funds and forge partnerships with industrial groups to launch the product into the commercial stage. It claims that insect warfare can represent a cheaper and less complicated way of getting rid of pests than insecticides.

M Bernard Raynaud of Uncaa's agronomical division says the group hopes to conclude a deal with industrial companies possibly from the pharmaceutical or chemical sectors, within two to six months.

He admits, however, that inability to take out patents on trichogramma species which have been painstakingly selected over years of research could act as an impediment to investors.

The tiny insects—about 1 mm in size—make their corn-field sallies by laying eggs, cuckoo-like, in the eggs of the much larger pyralids and thus destroying them. Spread on to fields in the form of already-parasited pyralid eggs contained in papier-maché capsules, the invading trichogramma — about 240,000 are enough to treat one acre, in three doses—achive a rate of pyralid extermination comparable to insecticides.

Tests have been made with about 200 different types of trichogramma breeding stock. Researchers at one stage were set back two to three years by putting all their eggs — figuratively speaking—in the basket of a particular trichogramme breed. This turned out to have lost its aggressive character.

Different types of the insect have been used for generation by Russian peasants who have reputedly bred them in rabbit hutches — to fight predators. Trichogramma, in different variants, also have the capability to fight specific pyralids which attack crops as varied and important as cane sugar, cotton and rice—opening up, Uncaa believes, world-wide potential for industrial-scale applications.

Starting from the end of last month, the insect warriors will be spread over about 5,000 acres of maize fields in the *Rhone-Alpes* region, Alsace, the Paris basin and the Loire valley in order to pre-empt the pryalid breeding season.

This represents only a small part of the 1m acres of French farmland under threat from the predator (about one sixth of the total maize-planted area). Unca, which is also carrying out tests with the techniqoes in Italy and Austria, hopes to spread its trichogramma activities over 20,000 acres next year. With an industrial partner—it is looking particularly for unused meat or vegetable refrigeration plants which form an indispensable part of the trichogramma production chain — Uncaa believes it could work up quickly to treating 100,000 acres a year.

As well as offering the advantages of non-toxicity and easy handling compared with chemical methods, trichogramma treatment can be applied irrespective of weather conditions. And, especially for farmers with small plots (the majority of French maize growers), the method is reasonably economical.

Uncaa believes that trichogramma can be offered to farmers at about the same price —FFr 150 per hectare (2.47 acres)—as the dominant anti-pyralid insecticide on the market, the best-selling Decis (deltamethrine) which is the star product of the Franco-German pharmaceuticals group Roussel-Uclaf.

M Henri Simonet, an official at Roussel Uclaf, responds with the confidence of an official from a company which now earns more than FFr 1.25bn in world-wide sales from insecticides.

"For the next 20 years I will not believe in it (the trichogramma treatment). We don't fear it; it's too theoretical."

However, down at the Antibes research centre, amid a confusion of egg-batching cardboard drums and refrigeration apparatus, M Pierre Jourdeuil, the centre's director, is quietly confident about the future.

By coming up with techniques which enable the insects to be produced practically all the year round, as well as handled and transported without loss of efficiency, he says "We have turned an artisinal method into an industrial product." Signs that trichogramma treatment are at last winning attention come not a moment too soon for M Jourdeuil: "People thought we were little ecologists, utopians. They were not kind to us."

Pace of West Berlin economic recovery overtakes W. Germany's

BY LESLIE COLITT IN BERLIN

THE WEST BERLIN economy, in dire straits only a few years ago, has continued the recovery begun last year and outpaced the West German economy in the first quarter of this year.

Production in West Berlin's important processing industry rose 6.8 per cent, against 3.4 per cent in West Germany. The number of employed West Berliners was 8,000 higher than in the same period last year, while some 3,000 industrial jobs were created.

Two per cent more West Berliners had industrial jobs, compared with the first quarter last year, compared with 0.7 per cent more in West Germany. The number of jobs in West Berlin industry had fallen consistently over the past 15 years. Last year, however, a number of new plants began production in West Berlin and a large West German electrical engineering company which in 1983 had drastically cut its Berlin capacity and employees opened new plants in the city and rehired workers.

Industrial orders in West Berlin were up by a seasonally adjusted 8 per cent over last autumn, with foreign orders especially strong. Chemical products and capital goods were in high demand. The large sector of the Berlin economy, *which was regarded as obsolescent*, has been radically modernised in recent years.

DIW said it expected the city's real gross national product to rise 2.5 per cent this year, compared with a 2 per cent growth forecast for West Germany. Unemployment in West Berlin, however, failed to budge from last year's 9.3 per *cent level, or 86,000 persons* without jobs. DIW said this was probably the result of a larger number of West Germans moving to West Berlin.

West Berliners who had work managed to earn an annual average of DM 35,000 (£8,816) in 1983, or nearly DM 1,000 more than the average wage in West Germany. This did not *include an 8 per cent tax-free* federal bonus paid to West Berlin employees, which would have widened the difference.

EUROPEAN NEWS

EEC applies new limits on farm spending

BY PAUL CHEESERIGHT IN BRUSSELS

European Community finonce ministers yesterday brought into ploy for the first time the new system of budgetary discipline designed to bold back agricultural spending.

They accepted a limit nf Ecu 20.6bn (£11.5bn) for the 1986 financial year, thus immediately constraining any ambitions among farm ministers next year for anything but a modest increase in spending.

Under the Community's new budget discipline rules, agricuitural spending must oot rise foster proportionately than increases io Community revenues.

The figure nf Ecu 20.6bn covers spending on price support for formers and the subsidising of exports. Rural social reform spending comes under a different budget heading.

However, the Commission has already proposed a 1986 farm spending budget of Ecu 20.4hn, just under the limit ogreed by finance ministers who limit was worked out according to politically agreed formulae. This constitutes on increase of 2.4 per cent on the 1985 figure.

The total Community budget proposed by the Commission is Ecu 34.9bn for 12 members—Spain and Portugal join at the beginning of 1986 — or Ecu 31.8bn on the basis of a Community of 10.

But the budget discipline rules provide for new limits in the event of exceptional circumstances, among which are enlorgement. So the finance ministers' agreement could prove lo be shortlived

The limit on farm spending eame up early in yesterday's discussions and met no dissent, but the ministers ran into difficulties on where to pitch the limit on other forma of community spending.

Two types of expenditure were ot issue—spendiog wbich has to take place outside agriculture, like aid programmes and form speoding other than that covered in the price support and export programmes, and optional speoding covering Community programmes of, for example, research and energy.

Divisions emerged between countries like West Germany, France, Britain aod the Netherlands which wanted strict application of limits aod others like Italy and Greece which favoured a looser approach.

THE UK Government now supporta the European Community agreement to cut ear exhaust emissions, Mr Nigel Lawson, the Chancellor of the Exchequer, announeed at a meeting of EEC finance ministers in Brussels yesterday, writes Kenneth Gooding, Motor Industry Correspondent.

With agreement originally reached on June 28, Britain's Environment Minister, Mr William Waldegrave, said he would have to obtain his Government's approval. That has now been forthcoming in spite of an intense campaign by BL, the state-owned vehicles group, which at the weekend claimed the proposed standards would cost the British economy more than £1bn in higher car prices, greater fuel usage and inspection, and maintenance of the catalyst systems

Only the Danes are uow holding out against the agreement—on the grounds that the proposals are not stiff enough.

Rough passage likely for Portuguese treaty

BY DIANA SMITH IN LISBON

PORTUGAL'S EEC accessioo treaty is due to be ratified tomorrow in a week-loog marathoo that will enable Parliament to wind op pressing busioess before it is dissolved next Suoday.

With the absolute majority of the 250 deputies in favour of membership, the treaty is not likely to be at risk, but the debate may be stormy. The minority Communists not only are anti-membership, they dispute the right of a lame duck Parliameot to decide such vital matters.

Parliament's life was abruptly shortened by the decision of President Antonio Ramalho Eanes to call a snap general election io October when he foiled to persuod politicat parties, other than the ruling Socialists, to back a consensus government that could tide over the affairs of state uotil the scheduled December presideotial elections.

Geo. Eanes was forced to intervene in mid-June wbeo Sr Aoibal Cacvaco Silva, new leader of the minority Social Democrats, suddenly decided lo pul bis porty'a represeotatives out of the two-year-old centre-left coalition government.

Engineered largely to bamper the presidential aspiratioos of Sr Mario Soares, the Sociolist leader, the Social Democrat withdrawal hit the Governmeot just as it had begun the most active stage of EEC preporations. These include sifting regioool projects that must be submitted to Brussels no later thao this month if they are to qualify for the first traoche of development funds thot could bring as much as Ecu 300m (£168m) a year for investment io backward areas.

The crisis bas olso burt Portugal's weakest sector, agriculture, which will be helped in the first 10 years of Accessioo by an Ecu 700m structural aid programme, of a type never before granted to oew Community members

Spanish King in France to improve ties

By Our Paris Staff

KING JUAN CARLOS of Spain began yesterday a three-day official visit lo France designed lo strengthen ties betweeo the two countries.

The visit, his second lo France, is considered to have considerable symbolic significance coming so aoon after the Spanish signing of the accession treaty to the EEC.

France sees the visit as a gesture of reconciliation betweeo the two couotries which have had o series of long running differences eapeciolly on agricultural exports and on the presence of Basque extremists in France.

President Fraocois Mitterrand emphasised again before Kiog Juan Carlos'a arrival yesterday that France welcomed Spain's entry into the EEC and that the desire of both countries to reach an understaoding had been far stronger than the agricultural dispute.

Spain has also appreciated the Freoch Government'a recent approach to the problem of Basque extremists living in France. For the first time, France agreed to extradile three people accused of murders by the Spanish authorities,

Despite this marked improvement in the relations between the governmeots of the two countries, the Freoch press published opioion polls yesterday showing that more than 50 per cent of Spanlards still regard France with distrust and

Kiog Juan Carlos, who last came oo an official visit to France in 1976, is due to have talks with President Mitterrand

Two sentenced to jail for 'Hitler diaries' fraud

BY RUPERT CORNWELL IN BONN

THE "Hitler Diaries" trial ended – at least provisionally – yesterday, when a Hamburg court handed down sentences of over four years each to the two main defendants, for their part in arguably the largest and most spectacular literary fraud this century.

Herr Konrad Kujau, a former nightclub owner and dealer in Nazi memorabilia from Stuttgart who forged the purported diaries for which Stern magazine paid DM 9.32m ($3.1m), received a term of four years and six months, while Herr Gerd Heidemann, the former star reporter on Stern who "discovered" them, was given four years and eight months.

But, as the presiding judge, Herr Hans-Ulrich Schroeder, made clear in his four-hour explanation of the court's verdict, much remains a mystery – most notably the whereabouts of nearly half the sum paid by the magazine in its pursuit of the sensational worldwide scoop.

Stern entrusted the money to Herr Heidemann for the purchase of the diaries, 60 volumes in all, between 1981 and shortly before publication of the first excerpts in April 1983. Within a fortnight, however, they had been conclusively proved to be complete, and not particularly skilful, fakes.

Judge Schroeder told a packed courtroom that the 94 days of hearings – during which 37 witnesses gave evidence – since the trial opened last August had demonstrated that Herr Heidemann had not, as he had vainly claimed, made over the DM 9.32m "to the last pfennig" to Herr Kujau.

The amount that he had "channelled off", however, was no more than "at least DM 2.1m," while Herr Kujau himself had apparently received about DM 2.7m for the forged diaries as well as for other items. This would seem to leave about DM 4.5m unaccounted for.

Yesterday's verdicts, against which lawyers of both convicted men served notice of appeal, bring down the curtain on a 10-month extravaganza which has not only cast much light on the bizarre Third Reich relics industry in West Germany, but has also been a huge embarrassment for Stern itself.

In his final summing-up, Judge Schroeder had harsh words for the magazine. He accused the small group of senior editors who were in on the project, of substantial "contributory negligence" and of showing "the bunker mentality of conspirators."

This had meant, he said, that the question of whether the diaries were genuine and in fact written by Hitler himself was never raised.

The court found no reason whatever to doubt tha confession of Herr Kujau that he had written the diaries himself.

According to the judge, not only Stern but also Herr Heidemann himself had been convinced of the authenticity of the diaries. He surmised that Herr Heidemann, himself an addict of Nazi memorabilia, had run into financial difficulties after he had bought a yacht which had once belonged to Reichsmarschall Hermann Goering.

It was not clear last night just how much of their sentences the two men would serve. Herr Heidemann was released after the verdict; partly for reasons of his age, the court said, and partly because he had already been held in custody for the past two years, during first the investigation and then the trial.

The third defendant, Herr Kujau's longstanding girlfriend Edith Lieblang, was given a suspended sentence of eight months, on the grounds that she had been an accomplice to the fraud, although not directly responsible for it.

'Pope plot' court asks for extradition

THE COURT in Rome which is investigating an alleged plot to kill the Pope decided yesterday to ask Turkey to extradite Mr Bekir Celenk, a defendant unexpectedly released and sent home by Bulgaria at the weekend.

Mr Celenk, 50, alleged to have hired Turkish gunman Mehmet Ali Agca to shoot the Pope, was in the hands of Turkish security authorities on Sunday after arriving from Sofia.

Agca, who has provided most of the evidence against four Turks and three Bulgarians accused of being his fellow conspirators, refused to attend the trial yesterday in protest over Bulgaria's decision to send Celenk to Turkey, not Italy.

Exercising his right under Italian law not to attend, Agca told Sig Severino Santiapichi, president of the court, in a note: "I am not coming to the trial because I protest against and condemn the Bulgarian action. It is all part of a political plot between the Bulgarian and Turkish Governments."

Agca, 27, is serving a life sentence for shooting and wounding tha Pope in St Peter's Square on May 13, 1981. He has alleged that Bulgarian and Soviet diplomats masterminded the alleged plot.

According to Agca, Celenk was the conspiracy paymaster. He had lived in Bulgaria under a form of house arrest since leaving Turkey after the 1980 military coup.

Italy tried twice to extradite him from Bulgaria, for this trial and on charges of trafficking in weapons and drugs.

The Bulgarian news agency, BTA, said had been allowed to leave Sofia because Bulgarian authorities found "no proof of any participation by Celenk in the attempt on tha Pope."

He was wanted in Turkey on a warrant linking him with weapons smuggling that fuelled a wave of violence prior to the coup.

Italy has no formal treaty with Turkey for the extradition of defendants, but Turkey has ratified a European convention agreeing to international co-operatioo on terrorist offences.

Sig Antonio Marini, the prosecutor, asked that permission be sought from Turkey for court representatives to question Celenk in Turkey. But after an adjournment, Sig Santiapichi asked court officials to request Celenk's extradition from Turkey.

Reuter

West Germany has DM 2.6bn surplus in balance of payments

BY OUR BONN CORRESPONDENT

A RENEWED strong inflow of foreign capital into West Germany helped the country to its first basic balance of payments surplus in May for seven months, the Bundesbank reported yesterday.

The surplus, of DM 2.6bn (£655m) rounds off the returns for o month which saw a further massive trade surplus of DM 7.5bn and o current account surplus of DM 5.9bn—figures which bear out predictions that both these will reach record levels for the full year of 1985.

The May balance of payments surplus contrasts with a deficit of DM 3.4bn in the same month of 1984, and helps exploin the steady strengthening of the D-mark against the dollar in recent weeks. This in turn reflects the growing confidence among foreign investors in West German economic prospects, not least the belief that the currency is looking distinctly undervalued.

According to the central bank, DM 2.7bn of capital from abroad flowed into fixed interest assets, and a further DM 800m into West German shares—an important reason for the enduring buoyancy of the stock markets here. At the same time, the Bundesbank noted, West German investors have sharply cut their own purchases of foreign currency assets, notably in the U.S.

The country'a overall balance nn capital account, including short-term movements of funda, showed a small oet surplus in May of DM 32m. But this contrasts with a deficit of DM 7.2bn in May 1984, when anxieties over the flow of money out of West Germany to take advantage of a booming dollar and U.S. economy were at their height.

Iberia cannot challenge British threat to flights

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT, IN LONDON

IBERIA, the Spanish oational airline, cannot challenge in the English courts a UK Government threat to reduce its flights to London, a judge ruled in London yesterday.

Mr Justice Taylor said that the court could not intervena because the case involved the interpretation of an inter-state treaty – the 1950 air services agreement between the UK and Spain – which was not part of English domestic law.

Iberia had sought a ruling that Mr Nicholas Ridley, Transport Secretary, had acted unfairly and in breach of natural justice by proposing to vary its operating permit, reducing its weekly flights to Heathrow from 14 to 11, without having given it an opportunity to make representations to him.

Iberia complained that the threatened reduction was in retaliation for the Spanish Government's refusal to allow British Airways to operate the daily flight out of Madrid.

The UK alleged that Spain was in breach of the air services agreement; Spain denied any breach and argued that most European governments reserved the first outward flight of the day for the "home" airline.

The judge said that the agreement provided for disputes to be resolved by arbitration.

Telecoms deal for Spaniards

MADRID – Spain's Compania Telefonica Nacional de Espana (CTNE) will next week sign a $98m letter of intent for the modernisation and expansion of Ecuador's telephone system, a CTNE spokesman said.

He said the agreement called for switchboards, data transmissioo and optical fibre equipment. He did not disclose financing details.

Sr Luis Solana, chairman of CTNE, said in a recent interview that he was seeking to expand markets for Spanish technology in Latin America.

Mugabe supporters evict suspected Zanu-PF opponents

BY MICHAEL HOLMAN IN HARARE

BANDS OF militant women supporters of Mr Robert Mugebe's victorious *Zanu-PF* Party have begun evicting suspected opponents from their homes in the Harare township of Mufakose.

There are also reports of similar incidents in Chitungwiza *township*, the towns of Bindnra and Glendale north of Harare, and the midlands town of Kwe Kwe.

In Mufakose possessions have been dumped on the road or pavement and the modest two or three roomed houses barred to the occupants, many of whom spent the night on the street or sought shelter with friends.

Up to 100 famllies may have been affected and a tonr of the township yesterday showed that many streets had at least one pyramid of furniture, mats and other possessions outside an empty house.

The ection was blamed by residents on Zanu women members. The Mufakose constituency was won comfortably by the Zanu-PF candidate in last week's general election. He polled 39,000 votes against 4,000 and 2,300 respectively for candidates of Bishop Abel Muzorewa's UANC and Mr Joshua Nkomo's Zapu.

The women's anger, which comes in the wake of Mr Mugabe's renewed advocacy of a one party state, is apparently directed at the occupants of one of the affected bouses, most of which are owned by the municipality.

Mr Mugabe, dne to announce his cabinet this week, told a rally in Harare on Sunday that Zapu, which held two deputy ministerial posts in the last administration, would be excluded from his new Government.

The future of the two white

Robert Mugabe — announced he is to exclude Joshua Nkomo's Zapn from his Government

members of the former cabinet, Senator Dennis Norman, Minister of Agriculture, and Mr Chris Andersen, Minister of the Public Services, is not known.

Mr Andersen successfully stood as an independent in the election for 20 white seats.

Mr Mugabe is reported as repeating his warning that the Government would take action against Zapu if anti-government dissident activity continued in Matabeleland.

"It is now clear that Nkomo and the dissidents are allied," the Herald newspaper reported Mr Mugabe as saying.

"During the elections no dissident incidents were reported in Matebeleland. These dissidents were busy coercing people to vote for Zapu and all the 15 seats got by the party were acquired this way."

S. African police confirm raid on township

By Anthony Robinson in Johannesburg

SOUTH AFRICAN police yesterday released details of a police raid on the East Rand township of Duduza last Friday when six black people were killed in a series of clashes.

Police only confirmed the raid yesterday after local residents had claimed brutal treatment by balaclava-clad policemen

Press photographs taken at the scene show that several of the armed police were wearing balaclava helmets covering their feces. A police official denied that the operation had been carried out by a special police "swat team" and said that balaclava helmets were worn by several of the men as protection *against* the winter cold.

Duduza, near the small white mining town of Nigel, east of Johannesburg, has seen sporadic violence for several months with repeated attacks on the homes of black policemen *and* local councillors and e prolonged school boycott by radical students from the Congress of South *African Students (Cosas)*.

On June 6 three founder members of Cosas were killed in *Duduza when* the hand grenades they were carrying exploded prematurely, apparently in the act of pulling out the priming pins.

Five other men were killed in two other similar incidents

There is widespread suspicion in the townships that the men may have been supplied with booby-trapped grenades as part of a "dirty tricks" operation.

The funerals of those killed in the grenade incidents are due to take place on Wednesday in Duduza. This could lead to further violence

Asean fails to make headway on Kampuchea

BY CHRIS SHERWELL IN KUALA LUMPUR

FRESH proposals to settle the intractable Kampuchean question, formally adopted yesterday by the six-member association of *South East Asian Nations* (Asean), quickly looked doomed in the wake of earlier criticisms from Vietnam.

Meeting in Kuala Lumpur, foreign ministers of the six—Malaysia, Indonesia, Thailand, Singapore, the Philippioes and Brunei — proposed indirect talks on Kampuchea between Vietnam and rebel groups fighting the Hanoi-backed Heng Samrin governmeot in Pbnom Penh.

Haooi bas already spurned this latest initiative for a political settlement following wide publicity over recent days. Under the proposal, exploratory talks would be conducted through an intermediary and would focus on the 1983 Asean proposal for a withdrawal of foreign forces from Kampuchea and a United Nations-supervised election.

Mr George Sbultz, the U.S. Secretary of State, yesterday condemned the Vietnamese presence in Kampuchea as "arrogant and illegal" and pledged continued U.S. support for Thailand, Our Foreign Staff reports.

He was speaking at the signing of a $3m (£2.3m) aid package to help thousands of Thai villagers displaced by fighting.

The Washington Post yesterday said that, according to "informed sources," the CIA bad been covertly providing millions of dollars e year since 1982 in "non-lethal" aid to the two non-Communist resistance groups, including more than $5m this year.

The aid, funnelled through Thailand, was said to be intended to strengthen the two non-Communist groups in their loose coalition with the Communist Khmer Rouge, although this was seen by many officials as a "long shot."

Full details were formally communicated to Hanol yesterday morning, and Asean called for a positive response. It also appealed to Vietnam to abandon its policy of "seeking a military solution to the Kampuchean problem."

Vietnam, baving toppled the Peking-backed Khmer Rouge regime in *January* 1979 after invading the country, still has about 180,000 troops fighting three rebel groups, belonging to tbe Khmer Rouge, the former ruler Prince Sihanouk and the Khmer People's National Liberation Front.

The three make up the coalition Government of Democratic Kampuchea, which is backed by Asean and recognised by the UN. But Hanoi refuses to shift position until Khmer Rouge leader Pol Pot is "eliminated" and *China's support* for the Khmer Rouge ends.

The defeats it inflicted on the resistance during the Vietnamese dry season offensive earlier this yaar have clearly stiffened its resolve.

The idea for proximity talks *first came from Malaysia, and* originally foresaw indirect contacts between the rebel coalition and the Heng Samrin regime. But a Thai modification proposed talks between Vietnam and the coalition "which could *also be attended by* representatives of Heng Samrin as part of the Vielnamese delegation."

As this seems impossible for Vietnam to accept, the Asean aim of demonstrating Hanoi's inflexibility may not be achieved, even though it is clearly Asean which continues to come up with fresh proposals for a peaceful solution.

Vietnam's actions over Kampuchea yesterday received their strongest condemnation from Mr Suppiah Dhanabalan, the Singapore Foreign Minister.

In a statement to the ministers' meeting, he said Vietnam had embarked on a systematic domination of Kampuchea: "The issue of Vietnamese colonisation is something that none of us can dare to ignora."

A peaceful solution was not possible in the face of "armed aggression and brutal repression," he declared, adding: "There must be armed resistance."

He condemned Vietnamese incursions deep into Thailand over the past eight months, the biggest of which involved 3,000 troops moving 10 kms into Surin province in March.

India turns to private sector

BY K. K. SHARMA IN NEW DELHI

PRIVATE INDUSTRY has been told by Iodia's *Planning Commission* that it will be allowed to make substantial investments in key sectors of the economy in the seventh five-year plan (1985-90), but will need to depend heavily on its own *financial* resources.

The Commission says in a note that efforts to raise domestic savings should be strengthened. "The correct. role of foreign finance is to supplement domestic savings. It must not be a substitute for savings."

The Commission point out that, because of tbe shortage of funds, not many new projects will be launched in the public sector during the seventh plan, and the private sector will, therefore, be given additional responsibility. This is a major change in policy since, in the past six plans, the emphasis has been on expansion of the public *sector*.

Shortage of funds will lead to plans for the public sector being confined mainly to modernisation and replacement aod to projects to strengthen India's weak infrastructure (meinly power, coal, railways and communications).

Hence the need for the private sector to assume a greater role in fulfilling the seventh plan'e objectives of higher industrial growth. The Commission has indicated that the private sector will be asked to invest as mucb as Rs 1,400bn (£88.3bn) in the five years. This is only marginally less than the Rs 1,800bn contemplated for the public sector.

However, the contributions from India's public financlel institutions for private-sector investment will be much less, and for this reason the Planning Commission suggests private industry will bave to depend either on its own resources or on tapping cepital markets. Policy chaoges to make this possible will follow.

The Commission says the private sector would have to aim at a growth rate of 9 to 10 per cent annually in the hext five years "to respond flexibly to changes in the external environment."

It also says policies required to make the best use of external finance are essentially the same as tbose required to make the best use of domestic resources. Thus, key economic prices must be aligned with opportunity costs, overvaluation of exchange rates should be avoided and foreign finance should be given only a supplementary role.

Boost for Nakasone in Tokyo municipal elections

BY JUREK MARTIN IN TOKYO

THE TOKYO municipal elections, held on Sunday with results anhounced yesterday, seem to have brought aid and comfort both to Japan's ruling Liberal Democratic Party and to Mr Yasuhiro Nakasone, tha Prime Minister.

The LDP won 57 seats in the 127 member assembly, up from 52. Others winners were the well organised lay Buddhist party, Komeito, with 29 of its 30 candidates selected, up from 27 before, and the equally efficient Japan Communist Party with 19 seats, up from 16. Both clearly benefited from the low voter turn out, a mere 53.5 per cent.

The Socialists, the *largest* national opposition party, won 11 seats, down from 15, while two other centrist parties, the *New Liberal Club and the* Democratic Socialists, also lost ground.

The result means no change in the Tokyo government, because the LDP and Komeito, plus the two smallest parties.

Mr Nakasone's strategy in striving for a third term in office is predicted on leading the LDP to a big general election victory. Sucb a demonstration of national popularity, he believes, could frustrate his party rivals, who are intent on removing him mere by stealth, support the conseravtive incumbent administration of Governor Shunichi Suzuki.

The Tokyo elections had been seen as a harbinger for next year's Upper House vote and many national leaders, including Mr Nakasone, had taken to the hustings.

Israel to delay wage cuts

By David Lennon in Tel Aviv

THE EMERGENCY decrees imposing wage cuts and dismissals of 10,000 public sector workers will not be implemented yet, government ministers and the trades union federation decided at a meeting yesterdey.

The decision to suspend implementetion of the decrees was taken against a background of growing labour unrest which threatened to paralyse large sectors of the economy. It is clearly an effort by the Government to defuse the tensions which have built up since the announcement a week ago of a new austerity programme.

Mr Israel Kessar, secretary general of the Histadrut Trades Union Federation, said after yesterday's meeting with Mr *Shimon Peres, the Prime Minister*, and other officials: "The Government is beginning to understand that it cannot echieve much, regarding wages, through emergency decrees.

"The Government is entitled to take as much as it wants in taxes, but it cannot intervene in a wage agreement between me and the employers."

Mr Kessar said the Government sbould conduct free negotiations about wage cuts on the basis of the existing wage agreements.

Mr Yitzhak Modei, the Finance Minister, who previously had been very combative in his contacts with the unions, *said after the meeting*: "There is a chance of reaching an understanding with the Histadrut."

The Government's decision to erode wages substantially and follow this by a three months wage freeze is being strongly resisted by the *Histadrut*. *Its* major complaint is that wage earners have to bear the brunt of the austerity programme.

Civil servants and other public sector workers, numbering *400,000*, are due to hold a three-hour protest strike today against the Government measures. The Civil Service Union warned that if the Government tried to implement tha proposed wage cuts and massive dismissals it would take further industrial action.

Disruptions are likely at a number of key industrial planle and utilities.

An additional meeting between the premier and the Histadrut leader was scheduled for late last night after an evening meeting between union representatives and the private sector employers.

Sri Lanka holds talks with rebels

TALKS between representatives of the Sri Lanka Government and five groups of Tamil militants seeking an independent homeland finally began at Thimpu, the remote capital of the Himalayan kingdom of Bhutan, yesterday. The moderate Tamil United Liberation Front also attended the talks, writes K. K. Sharma in New Delhi.

That the talks are being held at all is a major step towards ending the two-year-old civil war io the Indian Ocean island republic.

Syria in diplomatic move to end Lebanon fighting

BY OUR MIDDLE EAST STAFF

SYRIA has launched a major diplomatic initiative in an effort to reduce secterian fighting in Lebanon and pave the way for constitutional changes.

Throughout yesterady a series of religious and political leaders gathered in Damascus, the Syrian capital, for a conference whic hwas described as "absolutely top priority."

The talks were chaired by Abdel-Halim Khaddam, the *Syrian vice-President*, who has particular responsibility for Lebanese affairs.

The main aim of the talks appeared to be to agree on a new security programme for West Beirut and to discuss the resolution of the bitter battles between the Shi'ite Moslem Amal militia and Palestinians.

The participants at the conference were also scheduled to discuss the efforts by the U.S. to isolate Beirut airport in retaliation for the hijacking of the TWA jet and the holding of 39 American hostages in return for the release of over 700 south Lebanese detainees in Israel.

An unexepected participant at the talks was Sayyid Mobammed Hussein Fadlallah, the *leader of the pro-Iranian Shi'ite* Hezbollah.

As the several fections met in Damascus, figbting broke out again in Tripoli, the norther Lebanese port, between rivel Moslem militias representing the pro-Syrian Arab Democratic Party and the Sunni Moslem Islam Unification Movement.

Sudan, Libya sign pact

BY OUR MIDDLE EAST STAFF

SUDAN AND Libya have further strengtbened their relations with an agreement to cooperate on military training and logistics.

Maj.-Gen. Osman Abdullah Mohammed, Sudanese Defence Minister, returned to Khartoum from Tripoli yesterday to announce the signing of a new military protocol. He said it provided for Libyan assistance with logistics, transport, equipment, and naval and air defence.

But the Minister stressed that Libya bad no intention of attempting to form a strategic alliance with Sndan or of interfering in Sudan's domestic and foreign policies.

Meanwhile, Libya has announced it intends to ban all Egyptians from working in its country in retaliation for a similar ban on Libyan workers in Egypt. However, there was no indication of when the ban might take effect or how many workers it might affect.

Reagan hits out at 'confederation of terrorist states'

BY REGINALD OALE, U.S. EDITOR IN WASHINGTON

PRESIDENT Ronald Beagan yesterday singled out five countries as part of "a confederation of terrorist states" and warned that the U.S. had the right to defend itself under international law.

He predicted that as many as 1,000 bombings and other terrorist acts could occur this year, against 600 last year and 500 in 1983, "unless civilised nations act together to end this assault on humanity."

In one of his strongest ever outbursts against terrorism, Mr Reagan named Iran, Libya, North Korea, Cuba and Nicaragua as members of the terrorist "confederation" and accused them of training, financing or indirectly controlling anti-American terrorists. He said that the "close relationship" between the Soviet Union and most of the terrorist states must be recognised.

Mr Reagan, who bas all but ruled out military retaliation for last month's Beirut hostage crisis, proposed no specific measures to counter the growth of international terrorism. Addressing the American Bar Association, be called on American lawyers to find a better domestic and international framework for dealing with the problem.

He warned, however, that the American people "are not—I repeat, not—going to tolerate intimidation, terror and outright acts of war against this nation and his people. And we are especially not going to tolerate these attacks from outlaw states run by the strangest collection of misfits, looney tunes and squalid criminals since the advent of the Third Reich."

In a departure from past administration statements, Mr Reagan did not include Syria on his list of terrorist countries, although he added that those named were "not necessarily the nnly ones."

Mr Reagan said that the five named countries might be continents apart, but they were united hy the same goals and objectives and "their fanatical hatred of the United States, our people, our way of life, our international stature."

Tbeir strategic purpose was "to disorient the United States, to disrupt our foreign policy, to sow discord between ourselves and our allies, to frighten Third World nations working with us

Tim Coone reports from Managua on attempts to stabilise the economy after fast growth

Nicaragua makes sharp change in economic course

Despite raising recently $402m of foreign finance, Nicaragua cannot fund all the imports it needs, government officials admit. Yet a remedy for this shortfall in foreign exchange is missing from the country's latest economic adjustment programme

THIS YEAR has seen a major overhaul of Nicaragua's economic policy. The ruling Sandinistas are making a bid to stimulate the private agricultural sector, rein in public aector spending and eliminate consumer suhsidies, at the same time as hnlding down real wages and curhing cnnsumption.

In the past four months there have been major increases in electricity, water, fuel and basic food prices, some exceeding 200 per cent. Government leaders recognise puhlicly that salary increases over the same period have lagged considerably and admit that they will continue to do so.

This is set against the background of the two-month-old U.S. trade embargn against Nicaragua.

A rapid expansion of money supply over the past four years, together with an almost static GNP in real terms is producing an annual inflatinn rate of more than 100 per cent and severe distortions in the lahour and capital markets.

Explaining tbe Government's monetary policy, Sr Jaime Valdivia, the financial vice-president of the Central Bank, said in an interview: "At first our expansionist policy hrought high levels of growth, in 1980 and 1981, growth levels exceeded 10 per cent per year. However from 1982, external finance began to fall sharply and we were faced with the choice of either stopping growth, or trying to continue with internal financing."

The latter was chnsen, and coincided with an escalation of the U.S.-backed guerrilla war which has diverted an increasing amount of the Gnvernment hudget into defence. Total defence spending today exceeds 50 per cent of the hudget estimates, and over 40 per cent in official statistics.

Sr Valdivia said that the principal effects of the expansion were an accelerating Inflation rate and heavy pressure upon the value of the currency. The newly legalised freemarket exchange rate aimed mainly at the tourist trade, is presently around 650 cordobas to the U.S. dollar. Official rates vary hetween 28 and 50 to the dollar, depending on the category of import nr export.

The foreign exchange shortage has been the key bottleneck in the economy. The rapid growth in public sector spending and credit to the agricultural sector at heavily subsidised interest rates bave stimulated demand, but restrictions on consumer goods imports, and a shortage of foreign exchange for imports of capital goods and raw materials to promote local manufacture, have led incvitably to inflation.

"A serious adjustment was therefore needed," said Sr Valdivia. The solution chosen was not a monetarist model, "but it is certainly a demand management policy package which will give prices a much more pivntal role to play in the economy."

The new measures are expected to hring some stabilisation. "But the one factor still lacking in the adjustment plan is the external finance," said Sr Valdivia.

Nicaragua is running an annual balance of payments deficit on current account of $500m while exports earned only $365m in 1984. The Nicaraguan presideot and vice-president recently managed to obtain financial and material aid worth $402m on recent tours of western and eastern Europe, hut the majority is credit rather than more liquid loans, and many of the agreements are spread over several years. There is still a substantial financing gap for the necessary level of imports to keep the economy turning over according to both Sr Valdivia and Dr Alejandro Martinez, Nicaragua's Foreign Trade Minister.

Credit from the World Bank was frozen in 1982 on the hasis that the Government's economic policy bad not made clear "the rules of the game" fnr the country's private sector. A similar argument has been used hy the U.S. to hlock loans to Nicaragua by the Inter-American Development Bank (IDB).

Tbe last IDB loan to Nicaragua was approved in 1982 to rebuild the fishing fleet, althougb It was not dishursed until 1984. A U.S.$58m IDB loan was hlocked earlier this year by the U.S. when it threatened to cut future funding to the bank if it approved the loan, which would actually have benefited private farmers in Nicaragua.

All government officials are coy about discussing negotiations with the IMF, and sensitive to left-wing criticism which undermines the Sandinista's essentially working class political base.

An IMF team has recently been in Nicaragua "to carry out a conntry study" according to Dr Martinez. It is the fourth IMF visit since the 1979 revolution. "We have always maintained good relations with the IMF, hut we are not in the process of negotiating a loan," said Dr Martinez.

Nicaragua has scrupulously repaid all outstanding debts to the IMF contracted by the former regime of the dictator Anastasio Somoza. It is an effort recognised hy the IMF. An internal Fund document to its executive board dated June 5 1984 states "The Nicaraguan authorities consider tbeir relationship with the Fund very important and this has heen patently demonstrated hy their determination to service the outstanding deht." Since that statement, Nicaragua has repaid all its outstanding $10m deht with the Fund.

By heing so punctilious, the Nicaraguans hope that they can head off any pressure on the Fund from the U.S. to impose sanctions.

According to Dr Martinez: "As members of the Fund we are entitled to certain loans under the standby credits scheme, hecause of the severe deterioration in our terms of trade. This would not necessarily suhject us to the imposition of an economic strait jacket that ordinary drawings from the Fund would imply."

Service payments on Nicaragua's foreign debt nf around $4.5bn will amount to $1.4hn this year alnne, according to Sr Henry Ruiz, Minister of External Co-operation. However, said said that only $260m can be paid and the rest will have to be rolled over.

Earlier this month a Central Bank team successfully renegotiated repayment of $381m in interest and principal payments due over the coming year to a consortium of over 100 U.S. and European banks on debts which date from before the 1979 revolution. A total of only $15m will he paid in the next 12 months and the remainder rolled over. The Government has released nn further details of the renegotiations.

An as-yet unpublished report of the UN economic commission on Latin America notes that Nicaragua has suffered losses on its balance of payments valued at $50m over the past four years, simply through deterioration in its terms of trade. The U.S. trade emhargo against Nicaragua will exacerbate the problem, but Sr Valdivia pointed out that "everybody was expecting a radicalisation of the revolution as a result of the embargo, but it has emphasised the need for the new measurese more tban anything."

Mexico's ruling party claims total victory

BY OAVID GARONER IN HERMOSILLO, SONORA, MEXICO

MEXICO'S ruling Institutional Revolutionary Party (PRI) has claimed a total victory in elections for the governorship of Sonora, the north-western state bordering Arizona, in one of the most bitterly fougbt elections contests the country has seen for decades.

The PRI claimed late Sunday night to have won all the posts up for election in Sonora, and outright victory in the central northern state of Nuevo Leon. In both states, the ruling party faced an nnprecedented challenge from the right-wing National Action Party (PAN), whose candidates have denounced the election as fraudulent.

In Sonora, the surreal atmosphere persisted throughont the day with PRI officials insisting that the polls were being conducted in an open and orderly fasbion, while the PAN repeatedly denounced instances of ballot rigging. PAN leaders were yesterday due to call for the annulment of the vote and new elections in the state.

In claiming victory on Sunday night, the PRI candidate, Sr Rodolfo Felix Valdes, praised the civic maturity of Sonorans, saying: "The result was one we expected. Our party has a lot of experience in these matters." The outcome confirms PRI claims that the PAN had gulled the foreign Press into belleving it had popular *support* in Sonora, a Valdes aide said.

A PRI electoral official, who wished not to be identified, said yesterday that he belleved the Sonora poll had in fact gone four-to-one in favour of the PAN.

The PRI claimed "an overwbelming majority" in the Sonoran countryside and a three-to-one margin in the five main towns, three of which are held hy the PAN. In Monterrey, the capital of Nuevo Leon, the party claimed a nine-to-one victory in rural areas and 3½-to-one in the capital. These are almost exactly the margins the PRI predicted two weeks before the poll.

The PAN candidate in Sonora, the populist Sr Adalbertn Rosas, reacted hitterly on Sunday night to what he described as a "complete demonstration to the people that there is no democracy in Mexico. Now we cn expect open dictatorship," he said, "and people will take other paths of opposition; what use are political partles?"

Polling itself haa been punctuated hy fraud charges on hoth sides and sporadic incidents. In San Luis Rio Collarado, a PAN-held town on the border, its candidates broke open ten ballot boxes before voting and found them stuffed with PRI ballots. Several PAN members were arrested, sparking off a riot with party sympathisers stoning the police station and burning five police cars. In Cuidad Obregon to the south, where Sr Rosas won the mayor's race in 1979, scuffles occurred and at least six people were injured, while in another PAN stronghold, Agua Prieta, wbere the PRI was found 56 years ago, tbe Right-wing municipal candidate withdrew from the poll after the location of voting booths was switched by the local electoral commission, which is controlled by the PRI.

In Obregon, Hermosillo and in Monterrey, foreign journalists witnessed PRI members carrying off ballot boxes—at gun point in one case in Monterrey. Indeed, in Monterrey, a *stuffed* ballot box was broken up in front of an Associated Press reporter by Opposition candidates before voting began. Several instances of people voting more than once were witnessed, though PRI officials here say these could have been PAN sympathisers. The PRI also accused the PAN of stealing two boxes in Obregon.

The only results so far issued by the Sonora electoral commission are for the rich countryside surrounding Obregon and show a massive majority for the PRI. Though the ruling party has the support of collective farmers in that area at two booths in its main town Pueblo Yaqui—Sr Rosa's home town—the PRI margin is an incredible 400-0 and 320-0. "I have over 150 direct relatives in that town," Sr Rosas commented sardonically.

Sunday'a elections were the mid-term contest for Congress, for seven out of 31 state governorships, and over 800 town balls. The PAN challenge, the most serious electoral opposition the PRI has faced since at least 1940, has built up since the 1982 financial crisis, feeding on popular and particularly middle-class angar at the role of the ruling party, which has held uninterrupted power for 56 years, in causing it.

Partly to bead off this discontent, President Miguel de la Madrid promised clean elections on taking office in 1982. The PRI has a long history of electoral fraud, privately admitted by some of its leaders. Furthermore, it has never allowed itself to lose a state governorship, though on at least two occasions it is widely believed to have lost the vote.

One-third of California's watermelon crop poisoned

BY NANCY DUNNE IN WASHINGTON

SHOPKEEPERS have heen ordered tn destroy *some* 10m Californian watermelons—about one-third of the U.S. crop after state officials linked a pesticide produced hy Union Carbide with a wave of illnesses on the West Coast.

The pesticide, Aldicarb, was sold under the trade name of Temik by Union Carbide for use on cotton. The company accused farmers of "flagrant misapplication of this product," which it claimed it should degrade within 100 days of application.

Some of the tainted watermelons have been traced to farms which used Aldicarh four or five years ago, when the producers were planting cotton. There was no prohibition on crop rotation or indication that it could cause illness when the product was sold.

Health officials say that more than 100 cases of food poisoning in three western states and in Canada have been connected with the watermelons. ePople who ate them suffered nausea, diarrhoea, tremors, and excessive sweating, hut the illness is not expected to produce fatalities.

California officials are struggling to save what they can of the state's $25m (£19.2m) watermelon crop. They have ordered all products in shops to be destroyed, and urged consumers to discard melons they may have bought.

Yesterday inspectors moved into the fields to search for infected fruit and to place stickers on those found free of the pesticide. Thus far, state agriculture officials have only found watermelons containing Aldicarb on four farms at the southern end of California's central valley.

Community imposes duties on Japanese excavators

BY PAUL CHEESERIGHT IN BRUSSELS

THE European Community for the first time has introduced an overtly political and anti-Japanese element into its handling of anti-dumping cases. This emerged in its handling of the imposition of definitive anti-dumping duties on Japanese hydraulic excavators.

Duties have been imposed—despite the readiness of the Commission to accept Japanese undertaking to raise prices—for two reasons. First, ministers doubted whether the Commission would be able to monitor the trade effectively. Second, they wanted the matter seen "in light of the present commercial relations with Japan."

These relations have been deteriorating. The Community has for long been concerned about its widening trade deficit with dJapan. It has accused Japan of targeting its exports on a few specific sectors and has drawn little comfort from Japanese measures further to open its own market.

In addition the Community has *demanded an increase in* Japanese manufactured imports to pave the way for a successful new round of international trade liberalisation.

Consideration of the state of trade relations with a supplying country introduces a diplomatic element into what has hitherto been a largely technical process.

The Commission approach, on behalf of the Community, to anti-dumping cases has in the past been largely technical. After having received a complaint about allegedly dumped goods, it has opened investigations to establish whether dumping has taken place

On establishment of the facts it has preferred to negotiate price changes rather than impose duties. The duties havo been a last resort.

In this case the Commission has effectively been overriden by the Council of Ministers who were not prepared to accept the price *undertakings of* the Japanese manufacturers.

The level of anti-dumping duties range up to 31.9 per cent. With one exception—a lowering of 1 percentage point in the case of Komatsu—they are pitched at the same level as the provisional duties imposed last March:

- Hitachi Construction Machinery 12.4 per cent
- Japan Steel Works 2.9 per cent
- Kobelco-Kobe Steel 31.9 per cent
- Komatsu 28.6 per cent
- Mitsubishi Heavy Industries 21.6 per cent

Over the last month, definitive anti-dumping duties have also been imposed on Japanese electronic typewriters, ball bearings more than 30mm in diameter and tapered roller bearings.

All three sets of cases are expected to wind up in the European Court of Justice.

UK group set to sell furnace to China

By David Dodwell, *recently in Chongqing*

A FIVE-MAN delegation from the Beibei glassware factory in Chongqing in south-west China will arrive in the UK late this month to finalise a £811,000 cash deal for an electricity-gas mixed furnace from the Essex company King, Tandevin and Gregson (KTG).

The delegation is also discussing with the Yorkshire company, Johnson Radley, the possible purchase of moulds that will allow Beibei to automate glassware manufacture which is currently all hand-blown. Beibei is a major exporter to the UK, selling its wine glasses and brandy goblets under the "Lons Flower" brand name.

Beibei, which is perched high over the Jialing river west of Chongqing in Sichuan, China's *most* populous province, has been exporting since 1962.

However, direct negotiations over the purchase of foreign equipment would have been impossible until two years ago when Chongqing was granted provincial *status in* economic matters.

While a number of foreign companies—notably from Japan and West Germany—have pounced on the opportunity to build bridges with a city that has been expanded by administrative fiat to become China's largest city, with a population of 13.9m, British businessmen have been notable by their absence. The contract won by KTG is seen locally as an exception that proves the rule.

Malaysian car takes to the road

BY CHRIS SHERWELL AND WONG SULONG IN KUALA LUMPUR

MALAYSIA'S industrialisation efforts enter a new but uncertain phase today when the country's National Car, the Proton Saga, rolls off the production line for the first time.

The M$560m (£177m) project is the brainchild of Dr Mahathir Mohamed, the Prime Minister, and the launch, conveniently coinciding with a south-east Asian foreign ministers' meeting in Kuala Lumpur, will take place at a site outside the capital which, until three years ago, was a rubber plantation.

The project is the most visible symbol of Dr Mahathir's "Look East" policy, under which Malaysia is supposed to learn from countries like Japan. Partnering the Government-owned Heavy Industries Corporation of Malaysia (Hicom) are Mitsubishi Motors and Mitsubishi Corporation, both at Japan.

These two corporations each have 15 per cent of a joint venture known as Perusahaan Otomobil Nasional, from which the car gets its name Proton. The company, the first major Malaysian venture in which the Japanese have taken direct equity participation, is capitalised at M$180m and has received loans amounting to Y22bn arranged by Mitsubishi-related banks.

From the start the Proton project, the centrepiece of a wider heavy industrialisation programme, has been shrouded in controversy because of doubts whether a small country like Malaysia (population 15m) can suport an indigenous car industry without heavy protection and costly subsidies.

The *Saga, a four-door*, front-wheel drive saloon, will be produced *in* 1300 cc and 1500 cc versions. Thought to be similar to Mitsubishi's Tredia, it will have to compete mainly with Nissan and Toyota vehicles which are locally assembled but which have faced hefty increases in taxes precisely to help the Saga.

In its first phase the plant will have an installed capacity of *80,000 cars per year*, and *this* is planned to rise to 120,000 by 1990. Some experts say, however, that output ought to be double to make the car internationally competitive.

Dr Mahathir admitted earlier this year that the first 7,500 units being produced in 1985 will cost M$35,000 (£11,000) each. They are to retail at around the same elevated price as the Saga's nearest competitors, M$20,000.

"We expect to lose money for the first three to four years," says Datuk Wan Nik Ismail, the Proton project's executive director. "But technically it is a good car, and selling it locally will be no problem."

Distributors of locally-assembled cars will have to help market the Proton Saga and civil servants who receive generous car loans will almost certainly be expected to buy it.

Despite this favoured treatment, the car will still have to fight to make its mark locally. The *Malaysian* market *has* shrunk over the past two years from 100,000 units in 1983 to en estimated 84,000 this year. Of this number, only three-quarters are in the 1200-1600 cc range.

The Saga's longer-term success, thus, depends crucially on securing export markets, and here too the picture is far from bright. The Malaysian Government's recently-increased stake in Cycle and Carriage, the Singapore car distributor, could play an important export role in the island state, although the market is depressed there too. Cycle's network in Malayala will be e useful boost for local marketing.

The Government also wants to sell the Saga in Indonesia, south-east Asia's largest market. This could involve an exchange in which Indonesia sells commercial vehicles to *Malaysia, but nothing is agreed* yet. Further down the road, inquiries have come from Britain, Austria and even China.

Companies in several Western countries have also shown interest in supplying components for the Saga, but the Government is hoping local private sector suppliers will meet this need, thereby producing the much sought-after "spin-off" effects which are the key to the industrialisation strategy.

It is estimated that the first cars off the production line will havo just 36 per cent local content, double that of the locally assembled equivalents. This is likely to rise above 40 per cent next year, when total output is forecast at 40,200 units.

A 100 per cent "Made in *Malaysia*" car will only approach reality when the engine, supplied by Mitsubishi, is designed and produced locally. That will not happen before 1990. Even now there is just a stamping plant, assembly line, paint shop and test track.

With the Saga a reality, Hicom is nevertheless turning to other vehicle projects. A M$13m sports car venture is planned, based on the Proton plant, and three motorcycle engine plants are being built nearby, in partnership with Honda, Yamaha and Suzuki. There is also telk of manufacturing trucks, but not of buses.

Dr Mahathir Mohamad, Malaysia's Prime Minister, yesterday reiterated his concern at the lack of trade among the six countries of the Association of South East Asian Nations (Asean) and urged local entrepreneurs eyeing the China market not to forget their home territory of south east Asia, writes our Kuala Lumpur staff.

He was opening the annual meeting in Kuala Lumpur of *foreign ministers from* Malaysia, Indonesia, Thailand, Singapore, the Philippines and Brunei. In his speech he also repeated his worries that U.S.-Japanese trade tensions could hurt Asean.

Trade among the six nations amounts to just a fifth of total Asean trade, and less if entrepot trade through Singapore is excluded. In the case of manufactured goods the proportion is about a tenth.

"We now see our entrepreneurs and traders eyeing the 'vast' China market, but missing or dismissing the reality that is before their very eyes: the Asean market," Dr Mahathir said. That market, he declared, was four times the size of the China market, and at Asean's doorstep.

U.S. presses home view on Gatt talks

The U.S. yesterday firmly restated its wish to have trade in services included in a new round of international trade negotiations, William Dullforce writes from Geneva.

The talks on services should be prepared by the secretariat of the General Agreement on Tariffs and Trade (Gatt) and should be conducted wholly under the aegis of Gatt, Mr Mike Smith, the U.S. deputy trade representative, told Gatt's consultative group of 18 countries. The U.S. position was backed by the EEC. The U.S. has thus rejected a Brazilian move to have negotions on services excluded from the new Gatt round.

On the first day of their two-day meeting yesterday the consultative group heard *replies from the EEC, Japan,* Canada and the Nordic countries to the paper submitted to the Gatt council by 23 developing countries on June 5.

This paper laid down a number of actions which the developing countries, led by Brazil and India, wanted

EEC and U.S. agree to truce in pasta trade war

BY IVO DAWNAY IN BRUSSELS

AN ARMISTICE has been agreed in the so-called pasta war between the U.S. and the EEC, the European Commission said yesterday.

The peace move follows discreet talks between Washington and Brussels aimed at defusing the escalating trade row, which began when the Community refused to offer American citrus producers any compensation for the preferential treatment of Mediterranean growers.

M Willy De Clercq, the EEC Trade Commissioner, and Mr Clayton Yeutter, the U.S. Trade Representative, are expected to attempt to resolve the issue at the quadrilateral trade talks due to be held with Canada and Japan in Ontario at the end of the week.

In the meantime, the U.S. has agreed to withhold its threatened tariffs of up to 40 per cent on EEC pasta imports and the Community will refrain from taking retaliatory action against American sales of nuts and lemons.

The discussions offer both sides an opportunity to halt a tit-for-tat trade skirmish that looked in danger of running out of control, Anger in California over the EEC's retaliation threat—targeted specifically at the original complainants on citrus — might have forced further action, allowing the new tariffs to snowball.

Nevertheless, there remain considerable difficulties over resolving the original dispute. The EEC has long contended that its preferences to Mediterranean partners — Morocco, Tunisia and Israel, for example —are, in effect, an aid to development, and should not provoke retaliation.

The U.S. points out, however, that a panel under the General Agreement on Tariffs and Trade (Gatt) had ruled that some compensation to American citrus growers was due. Washington's fury is directed at the EEC's refusal to allow this finding to be endorsed at the Gatt Council.

UK executives in two-day Peking seminar

TWENTY SENIOR executives from the City of London, led by the Earl of Limerick, opened a two-day seminar in Peking yesterday to teach Chinese officials about the workings of international finance, Reuter writes from Peking.

The seminar, attended by Bn Ming, Bank of China chairman, and *Ling Zhi*, its vice-president, will give the officials an insight into how to make use of the City, the world's biggest financial centre.

The conference is taking place as Peking expands its commercial borrowing from international banks and has begun issuing overseas bonds.

Hu Yaobang, Communist Party chief, has said China will borrow $50bn (£38.5bn) over the next 10 years to finance energy and industrial projects. China hopes to limit its commercial borrowing by securing credits from world financial organisations and soft loans from foreign governments.

Ford in talks on China joint venture

Ford is having preliminary discussions with the Chinese Government about a possible joint venture to assemble the Transit van which is due to be launched in Western Europe next spring, writes Kenneth Gooding.

The company stressed yesterday, however, that talks were in their very early stages: "We are simply discussing the deal in principle."

If negotiations are successful, Ford would probably supply know-how and components in *kit form* for assembly in China but with the aim that ultimately the vans would be 100 per cent Chinese.

British woollen exports rise 40% in April

BY ANTHONY MORETON, TEXTILES CORRESPONDENT

BRITAIN'S BOOMING woollen industry continues to surge ahead, with Italy, West Germany and Japan in particular buying increasingly larger amounts of woollen and worsted clothes.

Exports rose 40 per cent in April, compared with 12 months earlier, to £59m, taking the total for the first four months of the year to £220m, a rise of 26 per cent on the equivalent period of 1984.

Italian purchases rose 57 per cent by volume, West German by 55 per cent and Japanese by 48 per cent.

The U.S. remained the most important overseas market for British goods, but it recorded a very small increase during the four months despite the strong dollar.

By contrast, sales to Japan, the second largest market, shot up from 1.29m sq m to 1.91m sq m. The Japanese are a long way ahead of Canada and West Germany, the third and fourth most important countries for British exports.

Among the top 10 markets, only Saudi Arabia took less from Britain in the four months than a year earlier.

Ooe notable jump was made by Syria, an unlikely export market. Syria took 209,000 sq m in the four months compared with 28,000 sq m last year, and has risen to be Britain's eleventh most important market.

Mr Peter Richardson, director of the National Wool Textile Export Corporation in Bradford, said that exports this year were on course to beat the 1984 record of £600m.

Slow exports growth fuels fears on Taiwan economy

BY BOB KING IN TAIPEI

TAIWAN'S exports, traditionally the engine of strong annual economic growth, have registered only scant increases during the first months of this year further fuelling analysts' views that the country's economy is in serious trouble.

Exports rose by only $210m *(£161m) in value, 1.7 per cent*, during the January-April period the previous year. But if preliminary estimates for May, which show a drop in exports of nearly $235m over May 1984, prove accurate—exports for the first five months will show a decline for the first time in years.

Taiwan's trade declined by more than $37m or 0.2 per cent in the first five months compared with the corresponding period in 1984. Imports which declined by almost $248m or nearly 3 per cent over the same period last year, contributed most to the total trade decline.

Despite the slowdown, Taiwan's world trade produced nearly $3.8bn for the nation's foreign exchange coffers during the first five months.

The slowdown ironically comes in the wake of a massive *surge in exports during 1984* when overseas sales increased by more than 21 per cent to about $30.5bn.

Growth last year began to taper off lo the third and fourth quarters. This was due to a large build-up of stock, in the U.S., the country's main market plus lessened competitiveness in secondary markets because of the strength of the new Taiwan dollar compared to other currencies.

The weakened competitiveness, especially in traditional exports such as textiles, has been heightened by the emergence of other suppliers in the region such as Thailand, Indonesia and China.

The poor export performance is likely to continue through the rest of the year unless there is e sudden and unlikely turnaround in the American market.

Domestic problems are also working against an increase in exports. For instance despite foreign exchange reserves, which exceed $18bn, businesses here are finding it difficult to find working capital.

Private investment by individuals who have traditionally provided short-term funding to companies because of relatively high interest rates offered has dried up in the wake of several business-related scandals, and banks for the same reason are reluctant to provide more funding.

BASE LENDING RATES

A.B.N. Bank	12½%	C. Hoare & Co.	12½%
Allied Dunbar & Co	12½%	Hongkong & Shanghai	12½%
Allied Irish Bank	13½%	Johnson Matthey Bkrs.	12½%
American Express Bk.	12½%	Knowsley & Co. Ltd.	13 %
Henry Ansbacher	12½%	Lloyds Bank	12½%
Amro Bank	12½%	Edward Manson & Co.	13½%
Associates Cap. Corp.	13 %	Meghraj & Sons Ltd.	12½%
Banco de Bilbao	12½%	Midland Bank	12½%
Bank Hapoalim	12½%	■ Morgan Grenfell	12½%
BCCI	12½%	Mount Credit Corp. Ltd.	12½%
Bank of Ireland	12½%	National Bk. of Kuwait	12½%
Bank of Cyprus	12½%	Nollonal Girobank	12½%
Bank of India	12½%	National Westminster	12½%
Bank of Scotland	12½%	Northern Bank Ltd.	12½%
Banque Belge Ltd.	12½%	Norwich Gen. Trust	12½%
Barclays Bank	12½%	People's Trust	13½%
Beneficial Trust Ltd.	13½%	PK Finans Intl. (UK)	13 %
Brit Bank of Mid. East	12½%	Provincial Trust Ltd.	13½%
■ Brown Shipley	12½%	R. Raphael & Sons	12½%
CL Bank Nederland	12½%	Roxburghe Guarantee	13 %
Canada Permanent	12½%	Royal Bank of Scotland	12½%
Cayzer Ltd.	12½%	Royal Trust Co. Canada	12½%
Cedar Holdings	13 %	■ J. Henry Schroder Wagg	12½%
■ Charterhouse Japhet	12½%	Standard Chartered	‖12½%
Choulartons**		TCB	12½%
Citibank NA	12½%	Trustee Savings Bank	12½%
Citibank Savings	¶12½%	United Bank of Kuwait	12½%
City Merchants Bank	12½%	United Mizrahi Bank	12½%
Clydesdale Bank	12½%	Westpac Banking Corp.	12½%
C. E. Coates & Co. Ltd.	13 %	Whiteaway Laidlaw	13 %
Comm. Bk. N. East	13 %	Williams & Glyn's	12½%
Consolidated Credits	12½%	Yorkshire Bank	12½%
Co-operative Bank	*12½%		
The Cyprus Popular Bk.	12½%		
Duncan Lawrie	12½%		
E. T. Trust	13 %		
Exeter Trust Ltd.	13 %		
First Nat. Fin. Corp.	13½%		
First Nat. Secs. Ltd.	13½%		
■ Robert Fleming & Co.	12½%		
Robert Fraser & Ptns.	13½%		
Grindlays Bank	‡12½%		
■ Guinness Mahon	12½%		
■ Hambros Bank	12½%		
Heritable & Gen. Trust	12½%		
■ Hill Samuel	§12½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 9½%. 1 month 10½%. Top Tier—£2,500+ at 3 monthly notice 12½%. At call when £10,000+ remains deposited.
† Call deposits £1,000 and over 9½% gross.
‡ 21-day deposits over £1,000 10½%.
¶ Mortgage base rate.
** See Provincial Trust Ltd.
§ Demand deposits 9½%.

UK NEWS

Union poll supports political fund levy

By John Lloyd

ONE OF the UK's largest unions, the General Municipal and Boilermakers (GMBU), has produced the most decisive result yet in the current spate of ballots on union political funds – a vote of 9 to 1 in favour.

The union, with 850,000 members, is the third largest affiliate to the Trades Union Congress (TUC) and easily the biggest of the six unions which have so far polled on the fund – all returning decisive majorities. It is also the first general, rather than single, industry union. The turnout, at 61 per cent, was high for this kind of ballot.

Mr David Basnett, the GBMU general secretary, yesterday expressed "gratitude" to the Government for bringing in the measure in the 1984 Trade Union Act which enjoins ballots on the funds – because of its effect of politicising union members.

The union's annual political fund totals some £1.6m: almost all of which goes to the Labour Party. Some 13 per cent of the GMBU's membership presently "contract out" of paying the political levy.

Of the other unions which have so far voted, the Union of Communication Workers, the National Communications Union and the Furniture Timber and Allied Trades Union have all recorded 3 to 1 majorities in favour. The print union Sogat '82 has shown a 3.5 to 1 vote in favour and the Iron and Steel Trades Confederation a 6 to 1 vote in favour.

● The "inner cabinet" of the TUC – its finance and general purposes committee – will meet next week to begin the disciplinary process which could end in the suspension, or even the expulsion, of at least one major union.

The Amalgamated Union of Engineering Workers (AUEW) has reported to the committee that it has accepted government aid for the ballots it has held since 1981 – aid to which it is entitled under the 1980 Employment Act, but which unions are banned by the TUC from accepting under the terms of the Wembley conference decisions adopted in April 1982.

The AUEW is the TUC's second largest affiliate, with over 1m members.

Newspapers 'backward in use of technology'

BY BRIAN GROOM

THE BRITISH newspaper and periodical industry is backward in its economics and technology compared with some other leading countries, according to a study on the future of the industry in the UK.

The unpublished report compares the British industry with those in the U.S., Japan, the Netherlands and West Germany. It says:

"The UK newspaper and periodical industry falls behind the industries in the four other countries in utilisation of electronic-based technologies ... and even these overseas industries are expressing concern at the growing threat from the new electronic media."

The report says it is not part of its brief to apportion blame to management or unions for the present state of affairs – but it is openly critical of the "lack of foresight and good commercial practice" adopted by print management over recent years.

The full report, which runs to hundreds of pages, has been jointly produced by the Economist Intelligence Unit and tha Printing Industries Research Association, with sponsorship from several newspaper publishers and the National Graphical Association, the craft print union.

It says the principle of flexibility between jobs is even more important than the introduction of single-keyboard typesetting in improving the efficiency of the British newspaper industry.

It states that, in return for a guarantee of no enforced redundancies, unions should accept "total flexibility in job allocation within a plant." It says former typesetters are well capable of being retrained for sub-editing, press operation, computer operation and advertising sales jobs.

The report recommends the setting up of a national print retraining centre along the lines of that established by the Dutch employers and unions.

"Taking a leaf out of the Dutch book, it should not be impossible to call on the UK Government, through the MSC (Manpower Services Commission) for a contribution to the capital cost required to set up such an institution."

The studies of the four other countries – although positive when constrasted with Britain – do not paint the optimistic picture on new titles and job creation that some UK employers claim to be the consequence of single-keying.

□ U.S. Single-keyboarding for both editorial and advertising material is almost universal and electronic page make-up is now being installed at a number of titles. But while the number of morning papers is growing – especially in the suburbs – this is more than matched by a decline in the number of evening papers.

Profitability of U.S. papers is generally high – with a minimum expectation of 8 per cent on sales. The rate of growth in employment slowed during the 1970s but the numbers employed per title has increased from 184 in 1960 to 250 in 1981.

The number of men employed has fallen by 2.5 per cent, while the number of women has increased by more than 1½ times.

□ West Germany: Regional papers almost all use single-keyboarding. The number of titles was falling until 1979 and is now slowly growing. Employment has been growing by 3 per cent a year.

□ Japan: Because of the complex characters, single-keyboarding is not used. Circulation has been steadily increasing in recent years but profits falling.

□ Netherlands: Almost all papers are produced by single-keying, but over the past four years the earlier decline in titles has stabilised.

Numbers employed in Japan and the Netherlands fell by 1.5 and 1.9 per cent per annum respectively in the latest years for which figures are available.

□ UK: Numbers employed in newspaper production fell by 2,688 between 1973 and 1981 or 0.9 per cent a year. Circulation of regional dailies has been falling by 2 per cent per annum with a bigger drop for paid-for weeklies. Circulation and profitability of paid-for papers has been hit by the growth of free newspapers. But between 1973 and 1983 the number of national and regional daily titles only fell from 133 to 127.

The "remedial strategy" recommended for the UK includes: a full management feasibility study and frank communication of the planned changes with the workforce; a low-key local rather than national approach.

For the longer run, the report has found surprisingly optimistic views about the UK industry. The next steps it sees are: more colour printing; printing closer to the points of consumption through facsimile transmission; and improved use of automation.

FT and Condé Nast plan magazine

BY JAMES McDONALD

THE FINANCIAL Times and Condé Nast – the international magazine publishers – are investing over £1.5m jointly in the launch next February of a monthly magazine called Business.

The glossy publication, which will sell at £2, is aiming for an initial circulation of between 50,000 and 60,000. The editor of the 18–22 editorial staff – who will be involved mainly in investigative journalism – is Mr Nigel Adam, 39, at present deputy editor of Euromoney and previously with Reuters.

The printers will be British and three organisations are competing for the work. One should be selected within the next three weeks and a pilot edition may be produced in October.

The Financial Times will own 40 per cent of the publication and Condé Nast 60 per cent. Within the Condé Nast ownership, Mr Kevin Kelly – a prime mover in the organisation of the new journal and originator of the magazine The World of Interiors holds a one third share.

Mr Kelly said yesterday: "Business will aim to incorporate some of the best elements of Fortune and Forbes magazine as well as of the new U.S. business publication Manhattan Inc."

He said that the magazine would be produced using the latest and most sophisticated techniques, "and so give us lead times which will be much closer to a weekly than is now the case for a monthly."

UK NEWS

Counter to unitary taxation supported

By Peter Riddell

THE GOVERNMENT will tonight accept an amendment to its Finance Bill to permit the withdrawal of tax privileges from U.S. and other companies as a retaliatory tactic, if British businesses continue to be penalised by the unitary tax system still used by California and five other U.S. states.

The toughening of Britain's line will be indicated by Treasury ministers during the report stage of the Finance Bill. The amendment would give the UK Government the power to withdraw relief on advance corporation tax for U.S. companies receiving dividends from British subsidiaries.

This would be imposed only on those companies which have a home base and are liable for tax in unitary tax states.

The acceptance of the amendment – sponsored by Mr Michael Grylls, a backbench Conservative MP – is a stronger response by the Government than the alternative of talking sympathetically about it during the debate but asking for its withdrawal.

The proposal to be fully implemented, would require a statutory instrument to be put before parliament by the Treasury.

Daimler-Benz secures record share of heavy truck market

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

DAIMLER-BENZ, the Mercedes group of West Germany, raised its share of the UK heavy truck market to a record 11.46 per cent in the first half of this year. This compares with a share of 8.92 per cent in the same period of 1984.

The company is now close to overtaking Bedford, the General Motors British subsidiary, in the sector of the market over 3.5 tonnes.

Daimler-Benz said yesterday that it had reached its record without offering substantial extra financial incentives to customers or dealers.

The launch of the new 7.5 tonne truck – the LN range – at the end of last year had been much more successful than expected, the company said. Its target for LN sales this year has been raised from 1,300 to 1,600.

The LN 7.5 tonner competes directly with Leyland's new Roadrunner in the biggest part of the heavy truck market. Ford's British-built Cargo range seems to be taking much of the impact of the Daimler-Benz advance. Ford's share of the over 3.5-tonne sector fell sharply from 20.65 per cent in the first half of last year, to 16.62 per cent. Bedford's share was down from 13.41 per cent to 11.79 per cent, while Leyland's share rose from 14.18 per cent to 14.92 per cent.

The other UK-based producer, Renault Truck Industries, the former Dodge concern, lifted penetration from 8.65 per cent to 9.38 per cent.

Car figures for the first half of this year show that Austin Rover, BL's car subsidiary, was the only one of the three UK-based producers to raise sales.

Volvo record, Page 18

UK Car Registrations

	June				January-June			
	1985	%	1984	%	1985	%	1984	%
Total Market	135,708	100	139,722	100	943,636	100	943,868	100
UK produced	54,584	40.22	62,901	45.02	389,539	41.28	416,437	44.12
Imports	81,124	59.78	76,821	54.98	554,097	58.72	527,431	55.88
Ford	39,008	28.74	43,827	31.37	246,973	26.17	270,332	28.64
BL-Austin Rover	21,502		23,650		168,617		167,439	
Range Rover	237		167		1,645		1,389	
Total BL	21,739	16.02	23,827	17.05	170,262	18.04	168,828	17.89
General Motors – (Vauxhall-Opel)	22,475	16.56	23,910	17.11	163,154	17.29	166,251	17.61
Volkswagen-Audi	8,006	5.9	9,163	6.56	57,439	6.09	54,301	5.75
Nissan	6,045	4.45	6,769	4.84	45,468	4.91	45,539	4.82
Peugeot group – Peugeot Talbot	5,526	4.07	4,945	3.54	39,664	4.20	37,253	3.95
Citroen	2,386	1.76	1,853	1.33	13,519	1.43	14,647	1.56
Total Peugeot	7,912	5.83	6,798	4.87	53,183	5.63	51,900	5.50
Renault	6,686	4.93	4,057	2.90	39,420	4.18	30,943	3.28
Volvo	5,388	3.97	3,855	2.76	31,683	3.36	30,780	3.26
Fiat	3,976	2.93	3,285	2.35	27,800	2.96	23,730	2.51

Source: Society of Motor Manufacturers and Traders

Loss of coke sales may be permanent

BY MAURICE SAMUELSON

THE NATIONAL Coal Board (NCB) may have permanently lost a large part of its UK sales of foundry coke as a result of the foundry owners' switch to imports during the miners' strike, which ended in March.

National Smokeless Fuels (NSF), the board's coke-making offshoot, has so far recovered only about 50 per cent of the 300,000 tonnes-a-year market and there are signs that many coke users are now insisting on more than one source for their fuel requirements.

Among those still mainly using imported coke is Birmid-Qualcast, the largest UK foundry company whose group chairman, Mr Tommy Macpherson, is also a part-time director of the NCB.

Birmid said yesterday that although it had started using some NSF coke, it could obtain coke from Continental suppliers at about the same price as from the British manufacturers – and in some cases more cheaply. Imports were favoured by the recent changes in exchange rates as well as falls in freight charges.

Industry sourcea also say that when the strike ended the foreign suppliers dropped their prices to compete with those of NSF. During the strike, imported coke cost about £155 a tonne, but prices have now fallen in line with the NSF's price of £122.80 a tonne. This is 12.5 per cent more than before the strike.

At a meeting with the British Foundry Association, the NSF is said to have justified its price rise by warning customers that the present surplus in Europe would not last more than another two years. The NSF also needed to make a return on its investment in two new batches of coke ovens at its works at Cwm in South Wales.

This new capacity, NSF told the association, would be able to supply the entire UK market, with a surplus for export to the European continent

Some of the big foundry concerns appear determined, however, to adopt a policy of dual-sourcing

Lloyd's clears Posgate of fraud conspiracy

BY JOHN MOORE, CITY CORRESPONDENT

MR IAN POSGATE, the former leading insurance underwriter of Alexander Howden Group, has been exonerated by the authorities of the Lloyd's insurance market in London of charges involving conspiracy to defraud, falsification of accounts and breach of duty in his business arrangements.

But the ruling council of Lloyd's has confirmed that he was guilty on two other charges and that he will be suspended from working at Lloyd's for six months from July 8 this year. The full findings will be published today by Lloyd's.

Mr Posgate has been suspended for 2¾ years while disciplinary proceedings have been in progress against him. Lloyd's initially decided to expel him from the market but Mr Posgate challenged the decision in appeal proceedings. The expulsion order was set aside and a period of suspension recommended after the appeal.

Mr Posgate was allowed to address the ruling council yesterday. He told the council members: "It has been a difficult time for me. I appreciate, however, that Lloyd's itself has been put to trouble and expense in bringing charges against me and this is something which I much regret.

"I wish to give you a firm assurance that there will be no question of Lloyd's, in the future, having to take any such action as a result of conduct of mine."

He added: "I should, finally, emphasise that I have not been found to have diverted any monies at all to my own benefit or that of others and, moreover, no name (underwriting member) or any other person or company has lost any money as a result of the offences which I have been found to have committed."

The cost of the proceedings, in which Mr Posgate was found guilty of not disclosing a 10 per cent interest in the Swiss bank the Banque du Rhone et de la Tamise, and receiving a Pissarro painting, are estimated to be about £1m. Mr Posgate's costs since the proceedings were begun are £[illegible]0,000.

Mr Posgate intends to return to the Lloyd's market as soon as possible. He said yesterday that he planned to buy an underwriting agency and had looked at three agency companies. Initially, he hoped to be acting for between 100 and 200 underwriting members of Lloyd's.

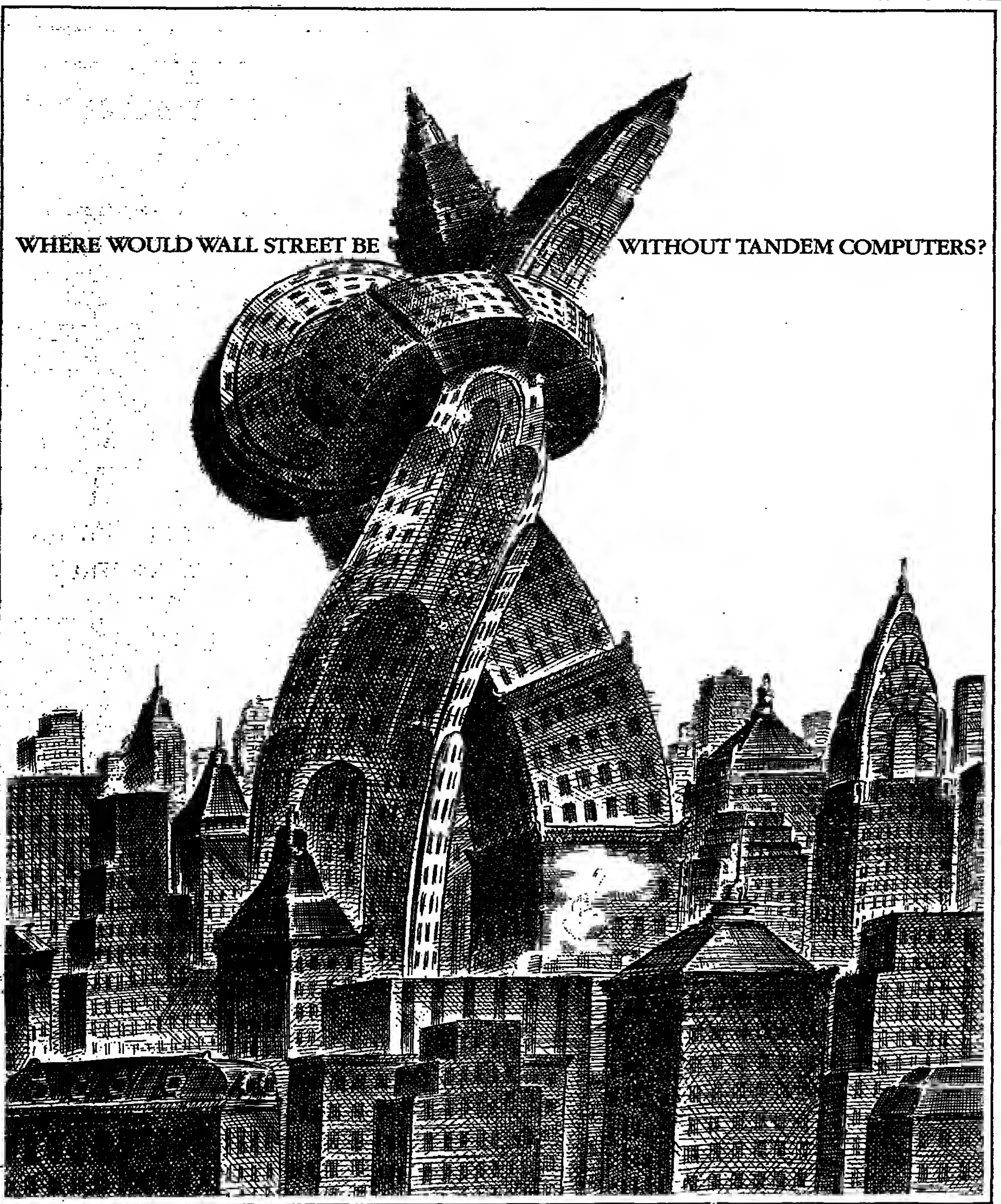
● Three other former executives of Alexander Howden – Mr Kenneth Grob (the former chairman), Mr Ronald Comery and Mr Jack Carpenter – have been expelled from the market following allegations that they misappropriated $55m of funds of Howden interests and Lloyd's underwriting members.

UK accepts car emissions ruling

BRITAIN now supports the Community agreement to cut car exhaust emissions, Mr Nigel Lawson, Chancellor of the Exchequer, said at a meeting of finance ministers in Brussels yesterday.

BL, the state-owned car maker, believes the change will cost Britain more than £1bn.

WHERE WOULD WALL STREET BE WITHOUT TANDEM COMPUTERS?



Well, it would still be in New York.

But, we venture to suggest it might not be quite the financial power it is today.

Hard to believe? Perhaps.

But the fact remains that a significant part of one of the world's most complex international business communities runs on Tandem computer systems.

Can one computer company make that much difference?

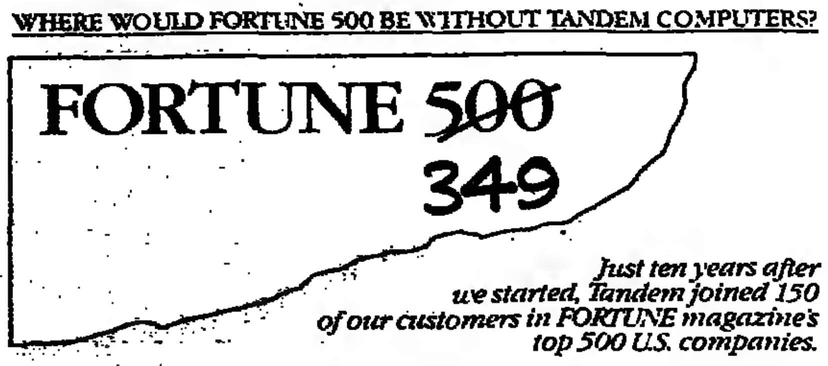
Aren't all large computer systems basically the same anyway?

Well, at Tandem, there is a difference.

A unique on-line system which works like no other computer.

A system which has taken Tandem from scratch to $530 million annual turnover—and put us into FORTUNE magazine's top 500 U.S. companies.

WHERE WOULD FORTUNE 500 BE WITHOUT TANDEM COMPUTERS?



Just ten years after we started, Tandem joined 150 of our customers in FORTUNE magazine's top 500 U.S. companies.

A system we believe will be just as revolutionary for large U.K. organisations as it has been for our clients throughout the rest of the world.

Because it'll actually work with whatever computer system you're currently using to run your business.

And make it better.

WHAT'S WRONG WITH THE SYSTEM I'VE ALREADY GOT?

Virtually every large company in the world uses a conventional mainframe computer system to run its business.

The mainframe is norm, and has been since the basic technology was established some thirty years ago.

It's part of the furniture—and that's part of the problem. Because companies have grown used to putting up with the problems inherent in mainframe system design.

Like the fact that you can't always have all the information you want, when you want it.

When it's working to capacity, you have to "queue."

And, when you want to expand that capacity, more often than not you have to replace the system with a bigger one.

Which often means stopping, retraining staff, rewriting programs—and writing off your initial investment.

If you need a "fail-safe" computer—one that can continue to function even if there's a breakdown in the system—conventional mainframes can handle it. You just buy two identical systems (at double the cost) and one sits idle waiting for the other to break down.

A neat solution if you happen to make the computers. Not exactly good economics for you.

Like it or lump it, these are the "rules" of conventional computers.

Tandem breaks them all.

SO WHAT'S THE DIFFERENCE?

Some ten years ago, Tandem looked at the problem and found a unique solution.

We did it by developing a system which cures all the day-to-day headaches that come with conventional computer technology.

Our system, for example, has fault tolerance built into it. If a single component fails, another automatically takes up the workload.

Data integrity is built-in, too. Which means that vital information shouldn't be lost or corrupted in the event of a fault.

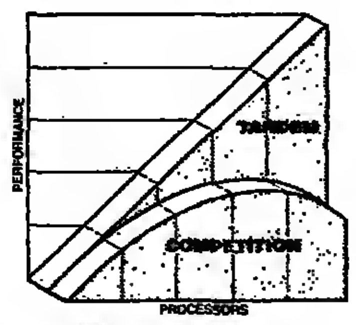
If you want to expand the system—or the database—you can, almost indefinitely. Without disrupting the system or the business.

Like building blocks, you simply add another processor when you're ready.

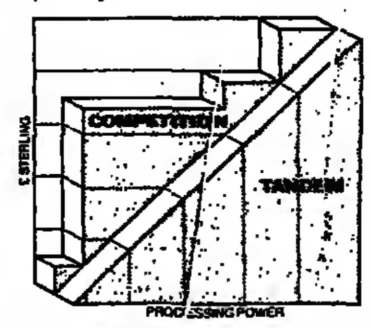
So there's no need to over-invest now in computer power you're not actually going to need until some later date.

And, unlike conventional systems, there's no decline in computer power per £ as your system grows either.

You don't need to be a financial director, or a data processing manager, to imagine what that can mean to computer cost efficiency.



With conventional computers, doubling your processors does not double your performance. With Tandem, each incremental increase in processing power provides matching performance.



With conventional computers, you must continually over-invest to ensure sufficient processing power. With Tandem, growth matches need, so you never invest more than you have to.

What's more, thanks to Tandem's unique distributed database, all system users can have access to the same up to date information simultaneously, anywhere in the world.

However large the organisation is.

(Tandem allows from 2 to 16 processors in a single system, and up to 255 systems in a complete international network, all of which can interface with each other.)

If that sounds complicated to operate, it isn't.

In fact customers in the prestigious U.S. Cowan/Datamation Survey have voted Tandem No.1 for customer loyalty.

Not once. But for three years running.

Ahead of every other major computer company.

ON-LINE TRANSACTION PROCESSING. SURVIVAL OF THE FITTEST.

A Tandem on-line system doesn't just solve the problems of conventional mainframe computers.

(As if that weren't enough).

It actually ushers in a new age where the computer can respond far more effectively to the changing environment in which business must operate to survive.

An age where management is based on information—not intuition.

Where information is fresh, not hours or even weeks old. Where people can access, update and act upon relevant data anywhere in the system network, anywhere in the world.

The age of on-line transaction processing.

The fastest growing sector of an already exploding computer market.

SOME OF OUR MAJOR WORLDWIDE CUSTOMERS.

BARCLAYS BANK	GULF	PIRELLI
BRITISH TELECOM	HERTZ	PITNEY BOWES
BEECHAM COSMETICS	HUGHES AIRCRAFT	PORSCHE
EQUITY & LAW	MOBIL OIL	SCANDINAVIAN AIRLINES SYSTEM
FEDERAL EXPRESS	MOTOROLA	
FORD MOTOR COMPANY	NATIONAL GIROBANK	TRUSTHOUSE FORTE

Thanks to our unique approach to system design, Tandem lead the world in on-line transaction processing.

And, as our phenomenal growth in the last ten years shows, it's here to stay.

We set out in 1974 to develop the first fault-tolerant computer system.

Along the way, we created a system that's highly reliable, simple to operate, easy to expand—and versatile enough to handle the communication needs of virtually any corporation.

No matter how big. No matter where.

A system which can go to work improving your business—without destroying your investment in current computer technology.

Fanciful? We don't think so.

And neither do our existing customers in the financial world, telecommunications, manufacturing, distribution, transportation, retailing, energy—and government.

Throughout the world.

Tandem Computers cut the knot for them. Could we do it for you?

For further information and a copy of our Annual Report, please contact Michael Lambert, Tandem Computers Limited, Peel House, 32-34 Church Road, Northolt, Middlesex UB5 5AB. Tel: 01-841 7381. Telex: 933333. Other offices in the City, West End, High Wycombe, Birmingham, Rochdale and Glasgow.

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UK NEWS

Ravenscraig campaigners are more confident than ever of saving the steelworks

The mill that refuses to say die

BY MARK MEREDITH AND IAN RODGER

THEY SHOULD put a sign outside the works: "Ravenscraig omnia vincit". In the past three years, the defenders of the beleaguered Scottish *steelworks at Motherwell* have overcome the British Steel Corporation (BSC), the Thatcher Government and the mineworkers and now they seem poised to rout the Government again and the European Commission.

In the past couple of months, the high-powered and broadly based save-Ravenscraig campaign has re-emerged more confident than ever. They know what the real issue is, and they are exploiting it.

"In the end, it will be a political decision," says Mr Jimmy Milne, general secretary of the Scottish Trades Union Congress. "There are not many Tory seats left in Scotland but there would be even fewer if the Government agreed to close Ravenscraig."

Milne and the Scottish politicians and industrialists who participate in the campaign also know that the European Commission, which has been pushing the UK to close one of its major *steelworks*, is poorly placed to apply pressure. The UK is well ahead of most other EEC countries in fulfilling the Commission's demands and, more important, BSC is now operating profitably.

BSC has wanted to close Ravenscraig since mid-1982 when it became clear that the recovery in demand for sheet steel that it was hoping for was not going to happen. At that point, BSC knew that one of its three wide strip mills, at Port Talbot and Llanwern in South Wales and Ravenscraig, would have to go, and there was not much doubt which of the three was the most vulnerable.

Port Talbot was the most secure, because its coastal site gave it direct access to imported raw materials, and BSC has since confirmed the works' future by embarking on a £170m modernisation of its hot-rolling mill.

Llanwern, previously an industrial relations nightmare, has become the star performer of BSC's slimline survival plan in 1980. Its workers realised they were in a fight for their lives, and they co-operated fully in drastic manning cuts and efforts to improve the quality and consistency of output. Its steel is now sought after by customers.

Ravenscraig, on the other hand, was slow to recognise the need to improve its performance, although it has now caught up with Llanwern in terms of efficiency. But the works still has significant cost disadvantages, mainly because its port, steelworks and finishing mills are in different locations. The fact that some major Scottish steel consuming industries, such as the Chrysler car plant at Linwood, have closed has not helped either.

BSC estimated that it could save about £90m a year by closing one of its strip mills, and transferring the workload to the other two. Its forecasters were of the view that the markets for strip steel – mainly in the automotive, domestic appliance and canning industries – would not recover enough to justify keeping the third one open.

In late 1982, it recommended to the Government that Ravenscraig be closed. The save-Ravenscraig campaign, led by Mr George Younger, the Secretary of State for Scotland, swung into action, arguing that the market was in an unusually deep slump and BSC's forecasts were too pessimistic. It would be *better to keep all three mills open* for a few years and see if a recovery occurred.

Mr Patrick Jenkin, then Industry Secretary, accepted this argument, and decided that no major works would be closed for three years. Today, as the deadline for that respite approaches, the argument has changed shape. In terms of the market, BSC's forecasts have turned out to be accurate. There has been very little recovery in demand, and the corporation is still arguing that it would be better off with only two strip mills.

On the other hand, there has been a miners' strike, during which the 4,000 Ravenscraig workers were among the most active in beating back the attempts by miners' pickets to shut down the steel industry. For months, they not only crossed picket lines themselves, but co-operated fully with BSC management in efforts to maintain supplies of raw materials to the works when train deliveries stopped. It would be difficult for the Government to agree to kill their jobs after th[e] performance.

The save-Ravenscraig campai[gn] has implicitly acknowledged that [it] cannot argue any more for a ma[r]ket recovery. Its case now, ap[art] from the workers' loyalty, is th[at] the UK should be rewarded by t[he] European Commission for havi[ng] cut more capacity than any oth[er] EEC country. The reward should [be] permission to produce more ste[el] for export into other EEC countrie[s].

There is a way out for all co[n]cerned, and it looks as if the Go[v]ernment and the European Com[]mission are preparing to take [it]. The UK has a fourth strip m[ill] works, the small, privately own[ed] Alphasteel at Newport in Sou[th] Wales. It has had a difficult time [in] the past few years and there are i[n]*dications that, for the* right price, [it] might be willing to call it a day.

BSC might well be interested [in] buying Alpha out, as it has done [in] the past with other private produ[c]ers, mainly to gain their EEC pr[o]duction quotas. In this case, th[at] would help the loading of BSC['s] own strip mills, although Alpha['s] capacity is less than half that o[f] Ravenscraig.

Such a deal would also enable the Government and the European Commission to say that they had closed a strip *mill*, while Ravenscraig would once again be saved. None of the interested parties will comment on this option, although an Alphasteel executive acknowledged that there had been talks.

Ravenscraig, near Glasgow, which experienced some of the worst picketing disorders (left) during the coal strike when miners unsuccessfully tried to close the steelworks.

THE ARTS

Opera/New York

Andrew Porter

The Met's new and spectacular production of *Tosca*, produced and designed by Franco Zeffirelli, was a big, expensive affair. The Act I set was a striking combination of built and painted-perspective scenery. The church swarmed with supers. The Pope himself, bevies of bishops, a platoon of Swiss guards and a vast congregation filled the stage for the Te Deum. Act II was much like Zeffirelli's Covent Garden version, with its blazing fire in the Roman summer, but Scarpia's apartment now was embellished with towering bookstacks.

In Act III, there were scene changes. We began, as usual, atop the Castel Saint'Angelo; but for "E lucevan le stelle" and the Tosca-Cavaradossi duet this was jacked up into the flies, revealing the castle dungeon beneath. The audience broke into applause, seeing scenery shift before its eyes.

It was a large, picturesque scene, heavy with ruined classical architecture (the castle was originally Hadrian's mausoleum), but the scene-shift broke the line of the act. For the execution, we returned to the platform above.

Only very strong performers would be able to hold their own against so much competition from the scenery. Hildegard Behrens, singing her first Tosca here, seemed vocally unsuited to the role; a small-house Tosca, intense and intelligent, but not able to fill either the large phrases of the role for the large spaces of the Met. Placido Domingo, the Cavaradossi, was his usual reliable self; it's years since I've heard him do anything really striking, individual, or inspired. Cornell MacNeill was a blunt Scarpia, and taxed beyond his present resources by the monologues. Giuseppe Sinopoli, the conductor, made his Met house debut. He was fussy and intrusive. The music didn't flow.

The production is due to open the 1985-86 season ($1,000 tickets on the first night), with Caballé and Pavarotti. Soprano and tenor have only eight bars to scuttle up a long, steep, narrow flight of steps leading from the dungeon to the platform above. Will that pair ever be able to make it?

The other new productions of the season were *Porgy and Bess*, already reviewed in these pages, and *La Clemenzo di Tito*. *Tito* was designed and produced by Jean-Pierre Ponnelle as a companion-piece to his *Idomeneo*, using the same basic set: a columned courtyard, with the Arch of Titus now replacing the giant mask of Neptune. They are both handsome shows. The worst to be said against them is that they reduce two works of sharply distinct character—two very personal transformations of opera seria—to a generalised idea of opera seria as something conventional, stately and decorative.

Ponnelle's *vulgarity* is not altogether unchecked. *Tito* opens *Rosenkavalier* - fashion, with Vitellia in the double-bed from which Sextus has just risen. The first night foundered on the comic-cuts portrayals of Titus and Vitellia: Kenneth Reigel an emperor with popping eyes, jerky gestures and choppy utterances, Renata Scotto moving the audience to mirth at her histrionics. Her recitatives were vivid, her arias affected to the point of fading into inaudibility. Later casts were said to do better and Carol Vaness's Vitellia won high praise. James Levine's conducting was admirable.

Simon Boccanegro was to have been a new production. Peter Hall, then John Dexter, were announced as producers. But in the event some sorry old scenery from Chicago (to which Pierluigi Pizzi now refuses to put his name) was borrowed, and into it Tito Capobianco shovelled an any-old-how staging. Sherrill Milnes, who has matured into an uncommonly interesting and impressive Boccanegra, did something to redeem things, though some of his playing was sadly stagy. Anna Tomowa-Sintow was a correct Amelia, and Vasile Moldeveanu a Gabriele with a nice, virile ring in his voice but a provincial presence.

Paolo, a role usually taken by budding Boccanegras, was sung robustly by an ex-Doge, Peter Glossop. (It's been a season for veterans: Aldo Protti, a baritone of early LP operas, 30 years and more ago, made his Met debut as Rigoletto; Italo Tajo was a horribly overdone Sacristan in *Tosca*.) Levine conducted well.

Just as one prepared to echo Virgil Thomson's 1952 charge that the Met "is not a part of New York's intellectual life," the company pulled out two admirable revivals: *Lulu* and *Parsifal*.

Lulu was good in 1980; it's even better now, because cast, chorus (in the tricky Paris scene) and orchestra are more confident; and because it's now untainted by Chéreau's perverse Paris production. In 1980, Lulu, Alwa and Dr Schön came straight from that impressive but unBergian show and — although Dexter's detailed production here is far more faithful —hadn't quite freed themselves of it.

This season, Riegel (Alwa) was excellent, Franz Mazura (Schön) was ideal, and Julia Migenes-Johnson (who in 1980 shared the title role with Teresa Stratas) was electric—a "star," yet natural and unaffected. Evelyn Lear, once a notable Lulu, was a dignified Gesshwitz. All in all, it was a marvellous "company" presentation, with Levine an inspired and inspiring conductor.

Parsifal, a shabby old production, 15 years old, and with the small parts cast poorly, was raised to greatness by the force of Jon Vickers's Parsifal; by Kurt Moll's Gurnemanz, so beautifully sung and beautifully uttered; and by Levine's broad, smooth, full conducting, also admired at Beyreuth (but in New York he has a better orchestra). Leonie Rysanek sang her first Kundry here. She left it late. Vocally, Act II was uncontrolled, but in Acts I and III she was memorable.

Little else to note. Some people admired Eva Marton's very loud Ortrud at the opening *Lohengrin*. I preferred Tomowa-Sintow's very decent Elsa. Domingo's Lohengrin was careful and correct but lacked romance. Levine (again) conducted well. *Meistersinger*, missing for eight seasons, returned all but Sachs-less, since Franz Ferdinand Nentwig did not begin to fill the role. The Eva, Mari Anne Häggander, was so-so. Peter Hofmann was a keen, lively Walther but also a truculent, dislikable one; it's a possible view of the character —but Beckmesser's view rather than Wagner's.

David Rendall, as David, sang with charm and clarity—the best performance I've ever heard from him, even if he's a bulky apprentice. Christof Prick (who spells his name Perick in America) secured colourful playing, good balance, but no long line.

Alastair Muir

Rena Vets and Richard Hawley in "Lulu Unchained"

Lulu Unchained/ ICA Theatre

Michael Coveney

A good idea and a great opportunity have gone begging. Wedekind and Berg were to be subjected to the irreverent creative treatment of Impact Theatre's director Pete Brooks and American post-punk feminist pornographer Kathy Acker. In her *Blood and Guts in High School*, published here last year, Acker offers perfervid re-writes of Shakespearian scenes, of Hawthorne's Hester Prynne; she even describes an East Village abduction of the first-person heroine into white-slavery and whoredom; she deals with incest and aggressive feminine sexuality.

Of course, Lulu, who Wedekind described as "woman in elemental, primeval form" was always unchained to the extent that she defied conventional morality and was sexual joy incarnate. The ambiguity of liberation through whoredom is prime Acker territory and a constant theme in the European work of Pina Bausch and Jan Fabre, in whose slipstream a group like Impact is thrashing around.

In the event, we have four performers — representing the author ("How does a working class boy become a hero?"), Lulu, Dr Schön and the decrepit asthmatic Schigolch — who are put through some embarrassing tepid and derivative free-form choreographic paces, with lots of unaccumulative repetition of gesture to show Lulu's subjugation, her domination through sex and her disintegration in hellish nemesis. For no apparent reason, Lulu (Rena Vets, a Jan Fabre veteran in a grey slip, vibrantly sylph-like, sexually expressive, a crop-haired androgyne with a hint of hardened Louise Brooks) recites in profile a curious story about finding a large corpse in an archbishop's bedroom and always having wanted to become a pirate.

This had me well and truly stumped. Out of my crease and on my way back to the pavilion (or rather walking disconsolately up the Mall) I reflected that at least that last passage sounded like a living piece of theatre, even if it made no sense whatsoever. The story is backed by the swelling, really rather good music and vocals from an eight piece orchestra directed by Jeremy Peyton Jones.

No sign of the other Wedekind characters, least of all and surprisingly in these circumstances the lesbian Countess and the slave-trafficking Marquis. The author turns on a tape of snatches of Berg's opera but even those lush promises are lost in tedious back-tracking and clumsy splicing. The hand is much better off forgetting about Berg (even if we are not) and striking out on Peyton Jones's lesser, though admittedly more rhythmic, lushness. The sum total is a disaster fraught with pretentions and slackened aspiration.

Country exhibitions/William Packer

Of time, nature and hands

For a second summer season (until July 29), Dr and Mrs Lloyd of High Wall, Pullen's Lane, off the Headington Road out of Oxford, have put their Peto garden at the disposal of Mrs Crossley-Holland of the Oxford Gallery. She has brought to it the work of some of the artists she represents and has invited the contribution of others, to put together an exhibition and demonstration of what an opportunity one has, in so garden-conscious a society as ours, to commission or purchase adventurous and yet entirely sympathetic and appropriate modern work.

For it is just not true that new things do not sit well against old walls or comfortably in old beds. Nor is it in the least bit true that given the willingness there is nothing being made today by which to make the experiment. All gardens must be made or somehow contrived, confections of craft, patience and inspiration, were new once or raw in part to be left to weather and to settle down. Gardens are the work of time, nature and many hands, and artists need only to be asked to lend theirs.

Each request will be different, as is each requirement, a matter of mere emphasis here perhaps, of specific need there. We have only to ask: perhaps Guy Taplin, of the decoy waterfowl by the stream at the bottom of the garden, has the goose or swan we really want still in his studio at home.

Do you think Svend Bayer, of the great stoneware jars on the lower terrace, would make one for us, but just the tiniest bit bigger, or fatter? Those Alison Fitzgerald willow baskets that are so lovely, in the colonnade: but we want one square, and deeper, with two handles.

Monica Young's huge stoneware pots, big enough for Ali Baba, stand 4½ ft high, and possess something of the presence, as they approach the condition of sculpture, simple, massive and specific. Her single pot on the lower terrace commands the long view of the garden front of the house, and with the sculpture *proper* makes a slightly different point. How magnificent it looks just there, but what could she do for our closer space or against our lower wall? John Maine's carved ellipse at the end of the shorter vista of the upper terrace looks so well set nigh on its plinth, but what might he propose for our sunken rose garden or parterre?

William Pye has been preoccupied with the sculptural potential of the fountain for some time, and here he shows a long water tank over which he has thrown a rectangular structure of pierced metal pipes. A jet of water issues from each hole, its force rising and falling with the power of the pump to create at its height with all its neighbours a latticework of water, splashing and crossing together before subsiding again. How nature might accommodate it, to make it its own, remains to be seen. His other piece, with its maquette, is more self-sufficient, a high pool and gentle overflow of water that could be comfortable in almost any garden, on almost any scale.

There are many other treats: David Kemp's rusted scrap-iron snipe and waders hiding beneath the trees; Elizabeth Milner's sewn and woven hammock; Richard la Trobe Bateman's grey oak garden settle with its hinged seat; the version by Brian Scrase of a seat designed by Mrs Crossley-Holland's father in the 1930s. There is a large male head by Elizabeth Frink closed in by hedges; and hung discreetly high on their respective tree trunks, two inscribed ceramic plaques by Ian Hamilton Finlay — a nominee this year for the Turner Prize—"The Birch Tree Recalls You O Philhellenes." And there is much else besides.

Alison Fitzgerald's "Potato Basket"

Meanwhile, across the country in Suffolk, the Tolly Cobbold Eastern Arts Exhibition is now on show at the Christchurch Mansion in Ipswich, its home town as it were, given its generous sponsors (until July 28; then on to London, Bradford and Newcastle). As with all open submission prize exhibitions, we can all take issue with the judgment of the jury, most of all with its final allocation of the prizes, but that is in fact the point; and if particular items seem inexplicable, I know from direct experience that my own decision would help to produce something neither better nor worse, but different.

This show is well up to strength, with that special character of intensity of feeling and expression in the work that seems now peculiar to the Tolly Cobbold. Perhaps it is the restrictions on size that does it, or the knowledge that the work must tour, but it comes through every time.

The Tolly Cobbold is a truly national exhibition which always attracts a serious professional entry, and always a healthy number of the new and less familiar come through on equal terms with the more established names: Eric Moody, Annabel Cullen, Sylvia Hays, Gus Cummins, Mair Twissel, Michael Davis and Lance Smith, who won the Vladimar Vodka prize. It is good too that such artists as Dick Lee and Rosie Lee (no relation) should figure among the prize-winners. They have worked and shown long and often enough yet without any consistent recognition or practical success. Shows such as this demonstrate time after time how strong we are in the visual arts and how meanly we are inclined to treat them. With figuration now so much the rule, extraordinarily so, there is not even that poor excuse.

In London, Artist for the Day moves into its second week at Angela Flowers, in Tottenham Mews W1, alongside the Middlesex Hospital. I missed two of last week's crop, but the policy is to retain one or two works from each show to give at least an idea of what went on. I was impressed by Frances Coleman (last Monday) and look forward to seeing more of Andrew Golding (Tuesday) and Denys Blacker (Thursday).

Half Moon

David Edgar's play *Destiny* will open at the Half Moon Theatre on July 12, directed by Chris Bond. The play, not seen in London for eight years, was first produced by the Royal Shakespeare Company in its 1976-77 season and won the Arts Council's John Whiting Award.

Museum of London acquires Bomberg

A David Bomberg painting entitled *Evening in the City of London* has been bought by the Museum of London with the help of grants from the National Heritage Memorial Fund and a Purchase Grant Fund of the Museums and Galleries Commission.

Kopernikus/Almeida

Max Loppert

As the grand finale of the 1985 Almeida Festival, two performances were given this weekend of Claude Vivier's *Kopernikus* (1980). Subtitled "Rituel de mort," it is a 70-minute opera in two acts; and it completes the large-scale British introduction triumphantly undertaken by this splendid festival to a previously unknown Canadian composer of exceptional qualities. As shown on Friday, *Kopernikus* appears to sum them all up.

Vivier, murdered three years ago at the age of 34, was obsessed with death. Other works on the Almeida schedule (reviewed earlier on this page) suggested the fixation. This music-drama—a word that also indicates its hieratic, ritualistic, dream-landscaped contours is properly required for full labelling—explores it with an intensity that must prove mystifyingly obscure to the outsider (if not simply tedious), were it not pinned into shape and form by music of eloquently precise, careful working.

Kopernikus outlines, though in no orderly or consecutive narrative, the journey of a dead soul, Agni (Mary King) through the Kingdom of the Shades. The immediate references are Hindu, but beneath them the dramaturgy is soaked in a highly ornate Catholicism which (one suspects) an adherent (and a French Canadian one at that) is best equipped to comprehend. Six other singer-participants provide a kind of choral initiation-committee; in the later stages of the process, figures of Western civilisation (Mozart, Copernicus, and so on) are invoked among the shades. The close promises paradise and then, with the slamming of a door, appears to deny it.

Vivier's text, played here in the original French, is exceptionally hard to follow—a collection of complicated religio-philosophical slogans laced with outbursts in an invented language. What holds the attention, and keeps even the most prosaic mind from straying into irritated scepticism, is the frieze-like chastity of the musical writing for vocal and chamber - instrumental ensembles. Vivier's biggest debt is to the vocal music of Messiaen —the sweet-toothed, quietly repetitive choral motets, the high-flying ecstasies of *Cinq rechants* (the seminal 20th century invented-language masterpiece). The notes are often sparse, and selectively placed; a wonderful sense of fine control orders their operation.

The production, by festival administrator Pierre Audi, was striking, not ideally plain. Fancy references to half the current European theatrical fashions (Pina Bausch notable among them) came thick and fast; there was smoke (adding to the stuffiness of this small auditorium), sand, stark architecture, and black robing for the women. But the singing—the cast also included Pauline Vaillancourt, Nicole Tibbels, Hugh Hetherington, and Alan Ewing—was excellent, and the Contemporary Chamber Orchestra under Odaline de la Martinez kept the tranced slow sway of the score securely in motion

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The Almeida's Claude Vivier retrospective continued on Saturday with a late-night concert in the Union Chapel, half a mile up the road from the Almeida Theatre, which included three early Vivier works dating from his student years.

Jesus, Erbarme Dich and *O! Kosmos* were both written for Stockhausen's improvisation class in Cologne in 1974: short studies for unaccompanied choir, unusually delicate and accomplished. Both show a particular relish for rich dissonance—of the dark, complex and embroiling kind rather than the merely jarring. The second of the two especially was inventive without insisting on any of the new-vocal clichés of the period—and in its coda paid homage to Stockhausen with a direct echo from the last Region of *Hymnen*, with which the master was no doubt well pleased.

In the third and longest Vivier work of the evening, James Wood wore another of his several hats to play the percussion part of *Prolifèrations*—a trio for piano, ondes Martenot and percussion, Vivier's first major work, composed in 1969 while he was still a student of the Montreal Conservatoire under Gilles Tremblay (though later revised in 1975).

Four fully composed sections, linked by more freely notated semi-improvised passages, take about 20 minutes to unfold. The piano writing derives much of its manner recognisably from Stockhausen, and the ondes Martenot invention, unsurprisingly, from Messiaen. The piece obviously enshrines an "idea" about communication: at the start, the three players each take off with no regard to the others' material. Gradually the three parts begin to cohere; words intervene; and by the end of the piece the instrumental music has been entirely replaced by words.

DOMINIC GILL

MusICA/ICA

Andrew Clements

In previous seasons Adrian Jack's MusICA series has made a feature of single-composer programmes, presenting musical portraits of figures whose work for one reason or another has been heard infrequently in London. For the 1985 MusICA, however, the focus has altered, and *instead two composers* are to be featured throughout the summer. One of them is Vic Hoyland, two of whose pieces will receive first performances in August and September; the other is Walter Zimmermann, whose music began Sunday night's opening concert.

Zimmermann has been included in MusICA several times before: a concert in 1981 featured the British premiere of his substantial solo-piano *Beginner's Mind*. Since then his music has begun to be heard more widely, and he has acquired a British publisher. The three works given their British premieres on this occasion form part of a cycle of works for varying instrumentation under the general title of *Vom Nutzen des Lassens* (The Uses of Denial), essentially *an* extended meditation on the writings of the 13th-century German mystic Meister Eckhart.

The next MusICA concert will include two further components, but the three pieces here—*In der Welt sein* (for tenor saxophone), *Lösung* (viola, cello and double bass) and *Abgeschiedenheit* (piano) left a diffuse impression. *In der Welt sein* was unexpectedly forceful, sharper edged than much Zimmermann I had previously heard, with a gentle calming coda, but its companions returned to the fragmented, costively lyrical understatement that is more familiar, though without ever producing the usual meditative repose.

Boredom was not entirely conquered I must confess, especially in *Lösung*, whose *isolated effects* and microtones require the most careful and sympathetic hearing. The Zimmermann works were complemented by Clarence Barlow's *Im Januar am Nil*, for chamber ensemble, the first piece of this Indian-born (in 1945), West German-based composer I had heard. It too left only a muddied impression, working a continually repeated melody in textures that get ever more congested, save for brief remembrances of two of the composer's earlier pieces

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

July 5–July 11

Opera and Ballet

PARIS

Le Barbier de Seville, conducted by Hans Graf, Almaviva sung by Dano Raffanti/Noel Velsaco, Rosine by Suzanne Mentzer, Figaro by Patrick Raftery and Basilio by Ruggiero Raimondi. Opéra Comique (296 0611)

Robert le Diable alternates with Soirée de Ballets and with Tosca. Conducted by James Conlon with Raina Kabaivanska in the title role and Giacomo Aragall in that of Cavaradossi. Paris Opéra (266 5022).

WEST GERMANY

Hamburg, Staatsoper: This year's Hamburg Ballet Day runs to July 14 and starts with a German premiere, choreographed by John Neumeier, to music by Mozart. Also Onegin with Marcia Haydee and Die Kameliendame, Proust ou les Intermittences du Coeur danced by the Ballet National de Marseille with Roland Petit. (351151).

Deutsche Oper Berlin: Così fan tutte, produced by Götz Friedrich, brings together Angela Denning, Anne-Sofie von Otter and Keith Lewis. The Magic Flute with Karla del Re and Donald Grobe as leads. (34381)

Frankfurt Oper: Michael Gielen conducts Der Rosenkavalier featuring Helena Doese and Gail Gilmore. La Bohème, sung in Italian, has Ilona Tokody and Peter Kelen in the main parts. Aida is steered to triumph by Gail Gilmore as Amneris. Further performances are Der Zigeunerbaron and Der Freischutz. The latter has Walter Raffeiner as Max. (25621).

Munich Bayerische Staatsoper: Munich's annual opera festival runs until July 31. The first week opens with a new production of Alban Berg's Lulu with a complete third act, produced by Jean-Pierre Ponnelle. Catherine Malfitano, Brigitte Fassbaender and Georg Paskuda appears in the main roles. The festival's highlight is Der Rosenkavalier, produced by Otto Schenk. Mezzo-soprano Brigitte Fassbaender sings Octavian, beside Lucia Popp and Helen Donath. Other productions are Arabella with Lucia Popp and Bernd Weikl, and The Magic Flute, an August Everding production. The revival brings together Edith Mathis, Peter Schreier and Kurt Moll. One evening is reserved for Offenbach's ballet Papillon choreographed by Ronald Hynd, which is based on the original version by the Paris Opera in 1860. (21851).

ITALY

Milan: Teatro Alla Scala: Andrea Chenier by Umberto Giordano conducted by Riccardo Chailly and produced by Lamberto Puggelli. In the cast are Rosa Laghezza, Silvana Mazzieri and Jose Carreras. Also Don Pasquale by Donizetti, conducted by Roberto Abbado in Antonello Madai Diaz's production. Scenery by Giorgio Cristini and costumes by Gianni Versace, with Luciana Serra, Pietro Ballom, Sesto Pruscantini and Regolo Romani (809126).

Rome: Terme di Caracalla (Rome Opera Summer Season): A new production of Don Chisciotte by Marius Petipa to music by Ludwig Minkus danced by Margherita Parrilla, Salvatore Capozzi and Piero Martelletta, conducted by Alberto Ventura. (461755/463641).

Spoleto: Teatro Nuovo: Fancinlla del West produced by Bruce Beresford with costumes and scenery by Ken Adam. In the cast Anne-Marie Antoine (Minnie) – here played as a lady of easy virtue. The Barber of Seville by Giovanni Paisiello (predating Rossini's version by 30 years) directed by Maurizio Scaparro and conducted by Marcello Viotti, with Roberto Coviello (Figaro).

SPAIN

Madrid: Teatro de la Zarzuela. An all-too-rare appearance in his own country of tenor Placido Domingo in Otello, conducted by Luis Antonio Garcia Navarro, artistic director Piero Faggioni. (221 5510).

Granada: Generalife Gardens. The Ballet Der Deutschen Oper am Rhein directed by Paolo Bortoluzzi. Programme includes Balanchine's choreography to Bach and Homage to Tommaso Albinoni to Erich Walter's choreography. The cast includes Laurel Benedict, Valerie Ghiglione, Monique Janotta, and Claudia Jung. (225201).

Granada: Granada Music Festival. Spanish National Orchestra and Choir conducted by Jesus Lopez Cobos. Soloists Margaret Marshall, Florence Quivar and Paloma Perez Inigo in Gluck's Orfeo ed Euridice. Palacio Carlos V; Handel's Messiah, Auditorio Manuel de Falla, (Wed) (225201).

NEW YORK

New York City Opera (NY State): The 41st season includes four new productions Norma, The Love for Three Oranges, Kismet and Casanova – in the 20-week repertory that opens this week with The Student Prince and La Rondine. Lincoln Center (870 5580).

Grand Kabuki (Metropolitan Opera House): A mixed programme of Japanese Theatre and dance takes up a fortnight's residence in Lincoln Center. (362 6000).

New York City Ballet (Saratoga): A week of A Midsummer Night's Dream is followed by mixed programmes including Afternoon of a Faun and La Valse as the company takes up a three week residence. Saratoga Springs, NY (518 587 3330).

Saleroom/Antony Thorncroft

£2,310 postcard

Today, while travelling, we send home postcards of Italy or Spain; during the Grand Tour of the 18th and 19th centuries British travellers were tempted by more tangible souvenirs of Venice, Florence, or Rome. At Sotheby's yesterday a group of tiny mosaics of Rome, with a view of St Peter's, sold for £2,310, at the lower end of its estimate.

Produced around 1770, and 31.2 cm wide, the plaque was probably mounted in Britain, and is little different from a modern scenic view. The sale of miniatures and objects of vertu totalled £199,485, with 13.2 per cent unsold.

The top price in the auction was the £35,200 paid for a miniature of Thomas Weld, later Cardinal Weld, and his daughter Mary Lucy, painted by Augustin. On the marriage of his daughter Weld renounced worldly wealth, became a priest, and later bishop and then cardinal. The miniature was bought by a German collector for considerably more than the £20,000 top estimate.

A miniature by Alexander Cooper, of around 1635, made £6,380 to the same buyer. It depicts a Dutch gentleman. Lavendar, the London dealer, paid £6,380 for a young lady painted around 1840 by Sir William Ross. The vendor had no idea of its value and had found it, disregarded, in her attic.

A gold box by A. J. Strachan, the pre-eminent maker in Regency England, sold for £4,840. It carries a landscape scene in mosaic. Another traveller's memento, a purpurine box with silver gilt mounts by Luigi Mascelli, with three views of Rome on the lid, early 19th century, sold for £440.

Carpet sales are always tricky, so there was not too much surprise when Christie's auction yesterday was 55 per cent unsold, at £206,518. Undamaged and good quality Ushak and Ziegler carpets did quite well but there was little interest in dark colour Aubussons. However a light coloured Aubusson sold for £16,740, at the top end of its estimate.

The top price of £22,680 was paid by Ben Siglio, the London dealer, for a silk Tabriz carpet, while another Tabriz went for £14,050. Heriz carpets, which fetched high prices a year ago, seem to have moved out of fashion but the vagaries of the carpet market are unfathomable. At the moment it is in an uncertain state with little demand for anything in a poor condition.

Job creation

Where charity and profit meet

William Dawkins reports on the U.S.-inspired attempts to make philanthropy earn its bread

SETTING up a business with no intention of creating personal wealth for the founders might seem to be the very antithesis of entrepreneurialism.

Yet so-called non-profit organisations, or community businesses as they are sometimes known, have come in recent years to represent a growing—even if tiny—part of the UK's small business scene. Many of them have been sponsored by large companies, keen to demonstrate a sense of social responsibility by supporting local attempts to combat unemployment.

If, as their supporters hope, they follow the pattern of their longer established U.S. counterparts, they will play an increasingly important part in providing community services which fully fledged commercial ventures find only marginally profitable, or which public authorities can no longer afford.

Their special problems and aspirations are highlighted by the experience of the Centre for Employment Initiatives (CEI), a London based non-profit research consultancy which advises public authorities, companies and small business organisations on job creation techniques.

CEI, one of the biggest non-profit ventures in the UK, has grown rapidly in recent years, as have its working capital needs. But to the organisation's considerable discomfort, its bank refused an application for an increased overdraft earlier this summer, forcing the CEI to move its account elsewhere and seek outside backing.

The CEI's trials underline the UK financial community's relative unwillingness to finance unconventional businesses and illustrates some of the difficulties involved in transplanting to Britain an idea which has flourished in the U.S., where non-profit businesses account for an estimated 20 per cent of the jobs in service industries.

Colin Ball: recycling fees from richer clients

Intentions

Although the CEI and its counterparts call themselves non-profit organisations, that definition does not accurately reflect their intentions. They are as keen on making profits as any business. The difference is that they aim to use earnings from commercial activities for the benefit of local communities—as opposed to shareholders—either by offering free or cheap services to customers with special needs, by taking on projects which no commercial venture would touch, or by making charitable donations.

Unlike local enterprise agencies, which have similar social objectives, they aim to become independent of sponsorship or grant aid, though many need outside support. Some agencies like the London Enterprise Agency (LEntA) and its equivalent in Medway have either set up or are planning non-profit offshoots to subsidise their activities.

According to Robin Heal, community projects manager for BP, about 80 community businesses have emerged in the UK over the past five years (there are no centrally gathered figures). Examples include Provenhall Holdings, a chain of community-owned shops on a Glaswegian housing estate; New Work Trust which provides advice and premises for small businesses in Bristol; and Focus, a redundancy counselling service run by LEntA.

"We are essentially a Robin Hood organisation," says Colin Ball, 42, a founder director of CEI. "We earn consultancy fees from richer clients which we recycle to the poorer ones in a number of ways."

These include the provision of free consultancy to voluntary job creation bodies unable to afford CEI's full fees, which range from £170 to £270 per day. CEI also publishes a bi-monthly magazine in association with the Longman Group, to provide information for all groups concerned with combating unemployment. The magazine, Initiatives, does not come free, but it has never made a profit—nor was it intended to—for CEI. "It makes information available in a way that our private sector competitors would never dream of doing," claims Ball.

Those competitors include Job Creation Ltd, PA Creating Employment (an offshoot of PA Management Consultants) and the consultancy arms of some of the big accountancy firms.

Job Creation, a conventional profit-making business—with a turnover of £1.5m in its latest financial year as against CEI's £365,000 — acknowledges that the group is a force to be reckoned with and even admits that it has lost the odd contract to CEI.

"We are probably more expensive than they are," says Guy Halliwell, a director of Job Creation. "If price is the main factor, we won't get it, but if the creation of new jobs is the overwhelming factor, then we will"—a comment which illustrates the fact that CEI's market is as competitive as any other.

LEntA takes a similar "Robin Hood" approach to its redundancy counselling service, Focus, which charges clients at commercial rates and uses the proceeds to subsidise advice for young people considering starting companies. LEntA Properties, another of the agency's non-profit offshoots, has slightly different aims. "It is trying to take a longer term view and tackle areas that the purely commercial market won't touch," says Brian Wright, the agency's director.

Over the past two years, for instance, it has spent £800,000 on refurbishing a warehouse in Spitalfields which had been empty since 1966 and now houses 40 small businesses. It has also spent £250,000 on turning a 10,000 sq ft property in Islington into workshops, a scheme too small to be of interest to commercial developers, who tend to draw the line at industrial buildings twice that size.

All these sound like perfectly admirable attempts to make philanthropic endeavour earn its own bread. Yet non-profit bodies have been widely criticised for being inexpertly managed and showing a consequently poor survival record. In some cases, like LentA Properties, which is managed by experienced executives on loan from large companies, that criticism is wide of the mark. But a high failure rate among non-professionally managed community businesses, especially in Scotland, suggests that the going is far from easy.

And if CEI's experience is anything to go by, non-profit organisations are uniquely exposed to a problem that arises precisely because of their ambiguous position half-way between charity and commercial enterprise.

Vulnerable

CEI's five directors had to give personal guarantees worth £65,000 for the group's overdraft — a requirement with which conventional entrepreneurs are only too familiar. It became increasingly clear as the business grew—from a turnover of £150,000 in its first year to February 1983 to an expected £450,000 in the current 12 months—that the overdraft was "vulnerable, expensive and onerous," says Ball.

That is a tolerable burden for a profit motivated businessman, who can at least hope that he will eventually get rich because he has been able to borrow against the value of his house. But Ball points out: "Dragging in one's own kith and kin is less appropriate if you are not receiving a reward other than the personal satisfaction of making an impact on unemployment."

It is understood that two other individuals are now supplementing the CEI directors' guarantees and the group is looking for further guarantees from 300 other people and organisations. Those are designed to underpin a £40,000 soft loan it is hoping to raise from the Mercury Provident Society, a non-profit bank set up 10 years ago to support such ventures.

Depositors, who have to be found by CEI, nominate the interest rate they are prepared to receive—up to a maximum of 8 per cent—and Mercury on-lends their cash at a 3 per cent premium to cover its cost. Its deposits grew by 30 per cent to £1.3m in 1984.

"We are here because commercial funds are not covering a wide enough sphere," says Ray Mitchell, Mercury's executive director. He points out that the U.S. non-profit sector has grown strongly since the early 1960s at least partly because soft loans have been much more easily available there than in the UK.

The U.S. Local Initiative Support Corporation, for instance, which was set up in the mid-1970s as a non-profit bank funded by the corporate sector, lends $40m annually to such organisations. According to the Urban Institute, a Washington research body, there were 124,000 active non-profit organisations in 1982, the most recent year for which statistics on the sector are available. They employed 6.5m people and provided services worth $131bn (£101bn), representing 5 per cent of gross domestic product, says the institute.

Their growth in the U.S. has been assisted by federal and state governments' tendency to farm out social services like day care, housing or community development, though that source of income has dwindled in recent years.

BP, Legal & General, Citibank and United Biscuits, attempted to emulate the U.S. model when they set up Local Initiative Support UK two years ago to attract funds from financial institutions to invest in community businesses.

The group does have several small business property developments under its belt, but BP's Robin Heal admits: "It has been a terribly difficult idea to sell to the institutions. This is going to become a very important sector in the next decade, but the sad thing here is that they are still seen as some kind of charity like meals on wheels."

In brief...

BUSINESS Expansion Scheme fund managers can breathe a sigh of relief that the feast of property development issues early this year does not appear to have sapped investors' appetites for other offerings.

The latest funds to have closed have had no difficulty in beating their minimum subscription targets, and if anything are eliciting more interest from investors than this time last year.

The Quadrant Development Capital Fund 1985, which came out in May and was the first BES fund to be launched in the current tax year, has closed after raising just over £2m, as against its £1.5m minimum target.

Charterhouse Development Capital's 1985-86 fund has closed after pulling in £4.5m, which compares with its £3m minimum. St Helen's Trust Syndicate, which set itself no lower limit but was looking for a maximum of £250,000, has closed with £235,000 raised from just 16 investors.

●

THE EIGHTH national small firms policy and research conference will take place in County Antrim, Northern Ireland, between November 21 and 23.

It is to be co-hosted by the Northern Ireland Small Business Institute and the Local Enterprise Development Unit, the Government small business agency. The £50 fee includes accommodation.

The conference organisers are calling for papers, and would like to receive synopses by July 31. Details from Joyce McIvor at the institute, Enterprise House, University of Ulster at Jordanstown, Shore Road, Newtownabbey, Co Antrim. Telephone 0231 62220.

●

LEEDS Polytechnic is to hold a two-day conference starting on September 12 to discuss opportunities for converting redundant industrial buildings for small business use.

The conference will be led by Dr Howard Green, a co-author of the Small Business Research Trust's recent paper, Putting Spare Space to Work. He will examine the possibilities for such developments and the problems they involve.

The course fee is £55 plus £17.50 for overnight accommodation. Details from Mrs B. Brook, Leeds Polytechnic Intensive Courses Unit, Brunswick Building, Leeds, LS2 8BU. Telephone 0532 630505.

Retirement and handing on the family business

WHEN THE time comes to pass on your business, you may find yourself worth a great deal on paper, but your readily realisable assets could amount to far less. So it will be important to ensure that your choice of action is not limited by an inability to fund any tax liabilities that a particular course might imply.

You may, of course, be happy to sell the business to unrelated parties like your management; or you may just close it down and sell the assets. However, you need to think ahead to minimise your tax bill, to provide for retirement, and to see that the capital realised finds its way to the right people in the most tax efficient manner.

Planning is generally easier if your business is a company rather than an unincorporated venture. An Inland Revenue-approved company pension scheme offers considerable scope for reducing the company's taxable profits, extracting cash from the business in a tax-efficient way and providing capital and income needed for retirement.

A self-employed person, or anybody who does not have a company scheme, can usually contribute up to 17½ per cent of annual earnings to a retirement annuity scheme. Such payments are tax deductible, but generally do not provide such favourable benefits as those available from a company pension scheme.

Flexibility

The advantage of owning a company in these circumstances lies in the flexibility of its share structure. Shares can be settled on a trust, given outright, sold or exchanged. A holding of shares enables you, if appropriate, to retain an interest in the business after retirement. The company itself can be used as a vehicle to buy out your interest, so extracting cash and leaving the other shareholders in control. With appropriate Revenue clearances, your only tax liability on such a purchase may be to Capital Gains Tax (CGT) rather than income tax, as on a company dividend.

The three taxes with which one is normally concerned are stamp duty, CGT and capital transfer tax (CTT). The incidence of each on passing on shares in a family company has been much alleviated in recent years. This year's Budget, for example, removed the 1 per cent stamp duty charge on the value of gifted assets. The charge may still arise on a sale of the shares but this is a buyer's cost (albeit one which may affect how much he is prepared to pay).

Up to the first £100,000 of capital gains arising from the disposal of shares in a family trading company or group may be exempt from CGT if you have reached the age of 60 or are retiring earlier on health grounds. If you are transferring the shares by way of gift, you can elect to defer any CGT charge.

Gifts

The CTT on shares transferred through lifetime gifts may be minimised or avoided by using your annual exemptions, the nil rate band (currently up to £67,000 renewable every 10 years) and the lower rates of tax on lifetime gifts.

Your shares may also qualify for the special business relief under which their value is reduced by 30 or 50 per cent in assessing your tax liability. It may be possible for any tax liability that does remain to be paid in 10 equal annual instalments. Similar reliefs apply for the unincorporated business.

Considerable opportunities are accordingly offered to minimise your potential liability, provided you plan ahead.

MALCOLM GAMMIE

Malcolm Gammie is director of national tax services at KMG Thomson McLintock.

The previous article on group tax planning suggested that losses arising to a company on its capital assets could be set against its trading profits. However such losses can only be set against its capital profits.

Businesses Wanted

Speciality Packaging Products

An expansion minded company with go-ahead management wishes to acquire a company which will complement its own substantial existing activities.
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Wishes to acquire or take majority holding in small/medium sized businesses with growth potential in the leisure, retail/wholesale, light manufacturing or service industries. Interested companies should be based in the South of England and have a turnover between £0.75m and £3m or the capacity to generate profits in excess of £50,000.
Write Box H0021, Financial Times 10 Cannon Street, London EC4P 4BY

Field Sports Outdoor Leisure

Rapidly expanding public company seeks to augment its existing field sports interests by acquisition of companies in similar markets. Riding, shooting, fishing preferred but any outdoor leisure company with sound product range and customer base would be considered.
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A company with substantial switch manufacturing interests seek acquisitions of profitable companies with established products in the electrical and electronics components business with a turnover of up to £10m per annum. Preference will be given to businesses with proven management willing to remain and participate in future development.
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(Ministry of the Environment, Water Resources & Forestry)

NATIONAL AND INTERNATIONAL CALL FOR COMPANY PREQUALIFICATION

DAM AT TICHI-HAF

The 'Ministère de l'Hydraulique et l'Environnement et des Forêts' is launching a call for prequalification of companies interested in the construction of the dam at Tichi-Haf (Oued Bousselem), Wilaya de BEJAIA.
The works to be carried out concern principally:
(1) Arched dam — height 91m;
(2) Embankment with reinforced concrete membrane facing upstream — height 35m;
(3) Intake tower;
(4) Temporary diversion tunnel, interior diameter 3.5m, length 240m;
(5) System of grouting/drainage galleries.

SCALE OF WORKS:

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Underground:	$9{,}300m^3$
CONCRETES:	
Open air:	$142{,}000m^3$
Underground:	$2{,}500m^3$
Fill:	$460{,}000m^3$
Grouting and drainage filling works:	25,000ml

Companies interested in this notice may obtain the prequalification documents on payment of 500 Algerian Dinars from the following address:
Ministère de l'Hydraulique, de l'Environnement et des Forêts,
Bureau des Marchés KOUBA, Algiers.
The completed documents must be returned without delay by noon at the latest on 15th August to the above address.
The outer envelope should not bear any mark that might identify the tenderer and should read (Barrage TICHI-HAF — préqualification).

Company Notices

VINTOIL S.A.

Société Anonyme
Luxembourg, 37, rue Notre-Dame
R.C. Luxembourg B 18.064

Notice of Meeting

Messrs. Shareholders are hereby convened to attend an Extraordinary General Meeting which is going to be held on July 19, 1985 at 11 a.m. at the headoffice, with the following agenda:

Agenda
1. Discussion about a proposed merger offer, the details of which will be available at the Company's registered office as from July 12, 1985.
2. The Vintoil/Vinton inter-company capital restructuring.

The board of Directors.

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S. G. Warburg & Co. Ltd., announce that a dividend of Yen 3.00 per share has been paid to shareholders on the books of the above Company as at 31st March, 1985 in respect of the six month period ended on that date.
Holders of Bearer Depositary Receipts issued by S. G. Warburg & Co. Ltd., present Coupon No. 5 for payment forthwith at their Bond Department, 33, King William Street, London, EC4R 9AS or Banque Internationale à Luxembourg, 2 Boulevard Royal, Luxembourg, subject to deduction of Japanese Withholding Tax and United Kingdom Tax (if any) at the appropriate rates. Details of tax deduction can be obtained from Paying Agents.
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FINANCIAL TIMES
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Tuesday July 9 1985

Brinkmanship at Opec

OPEC MINISTERS have given themselves 14 days between their meeting in Vienna at the weekend and the next gathering in Geneva to sort out their problems. It is difficult to see what can happen in that time to make their task of re-asserting control over the oil market any easier. Indeed, the most important development at the Vienna talks—the calling of Saudi Arabia's bluff to flood the oil market if Opec refuses to dance to the Kingdom's tune—appears to have weakened if not removed the main incentive for the organisation to make tough decisions.

Saudi Arabia thus finds itself in a rather serious position. It wants to sell more oil, but its customers are walking away and its fellow Opec members are refusing to move aside and allow room for the Kingdom's output to grow

The Saudis really have only two alternatives: to precipitate a price war or to accept that just as Opec has lost some of its power in the world by suffering a loss in market share, so has Saudi Arabia lost influence for the same reason. Saudi Arabia now controls less than 5 per cent of the world crude market.

Error

By allowing its production to fall to such a low level, the Kingdom has made a tactical error from which it will have great difficulty recovering. It has, in military terms, surrendered large portions of territory to other Opec members and now finds itself attempting to negotiate its return armed only with threats.

The threat—of price war accompanied by at least temporary dissolution of Opec itself—is not very credible, both because of the Kingdom's conservative instincts and because of the nature of the oil market Opec now faces. It is perfectly possible that this year the world will want to buy only between 15m and 15.5m b/d of Opec oil, compared with 17.2m b/d last year and an emergency Opec production ceiling imposed last year of 16m b/d. The view inside a number of leading oil companies is that this situation could persist for a number of years.

In other words, Saudi Arabia cannot really hope to achieve its goals by a short, sharp shock to the oil market. Such a move would be disruptive, even sensational; but the price would have to fall below $15 a barrel and stay there for it to make any impact on non-Saudi output in the next two or three years.

It is also plausible, although necessarily a matter of speculation, that oil at $15 a barrel would still not be sufficient to revive overall demand, since conservation and substitution investments would hardly be likely to be reversed in a world of renewed turbulence in oil prices.

What this means is that Saudi Arabia needs Opec, just as much as the rest of Opec needs its most important member. Saudi Arabia cannot fight a price war on its own and hope, in the long run, to win. The Saudis have always shown great understanding of the fact that, for them, victory has to involve convincing the world that oil is a commodity which should continue to have a prime place in the energy picture.

This does not leave Saudi Arabia and Opec with many options. The ideas discussed in Viena, sunch as a joint marketing organisation to control the flow and price of Opec oil, are transparently beyond the organisation's reach.

Opec, it is sometimes possible to forget, is an uneasy alliance of diverse countries, two of whom are at war with each other. It is remarkabe that this organisation has survived at all and that it has succeeded in maintaining the price of crude oil at something like 10 times Opec's average cost of production.

It has achieved this by an exercise in continuous diplomatic brinkmanship, of which the Saudi's recent threats have been merely among the most vocal and dramatic.

The reality is that Opec must continue to live in a world where demand for its oil is weak, brinkmanship may be unsustainable.

If that is true, Saudi Arabia will have to face the fact that the only immediate problem in the oil market is that alone among Opec members the Kingdom is still demanding across the board an unrealistic price for its oil. Out in the real world, the price of crude has been fairly stable and refiners' margins in Europe and the U.S. are the best they have been for years. Saudi Arabia is doing more to rock the boat than anyone else.

The Kingdom clearly must bring its prices into line with those of its competitors and then urge Opec to adopt a mechanism to link official prices directly to the open market. This does not necessarily mean the spot market governing all transactions, since as in most commodities, customers will pay some premium for security of supply.

That would still leave Opec with the critical task of determining a level of output and maintaining discipline. In reality, that is best achieved by Saudi Arabia constantly using its production, like the swing producer it is meant to be, to influence the temperature of the market. At least then, the organisation's eye would be on the ball.

Cabinet changes in Spain

FELIPE GONZALEZ gave ample warning of his intentions to reshuffle the Spanish cabinet. Yet when the changes were announced last week the operation had clearly not gone as planned. In particular, the Prime Minister found himself accepting the surprise resignation of his Economy Minister, Sr Boyer, who was originally indteded to emerge with a strengthened role.

This may dent Sr Gonzalez's reputation as master in his own house. Nevertheless the team that is now to govern Spain, almost certainly until the elections next year, is far more homogenous and policy is likely to change only in form, not substance.

An important historical point deserves to be underlined about the former Cabinet. Having served for 32 months since Sr Gonzalez's electoral victory in 1982, it was the longest surviving Cabinet of any in Spain under an elected government.

From the outset there were tensions regarding suspicions of Nato harboured by the Foreign Minister, Sr Moran, and over the tough monetarist policies of Sr Boyer. However, Sr Gonzalez was anxious to hold his team together as long as possible to give a sense of stable Government

Although Sr Boyer was intended to stay at the helm of the economy, he was demanding an ever-growing role and this self-assertion made it more difficult for his policies to be pursued.

No Economy Minister has done more than Sr Boyer to prepare Spain for its entry into the EEC.

His successor, Sr Solchaga, was responsible for implementing the most thankless part of these policies—closures in the steel industry and shipbuilding. Sr Solchaga is close to Sr Boyer and their economic critics within the Cabinet have been dumped. This is a clear signal of economic continuity and of Spain's desire to prepare for its part in the EEC.

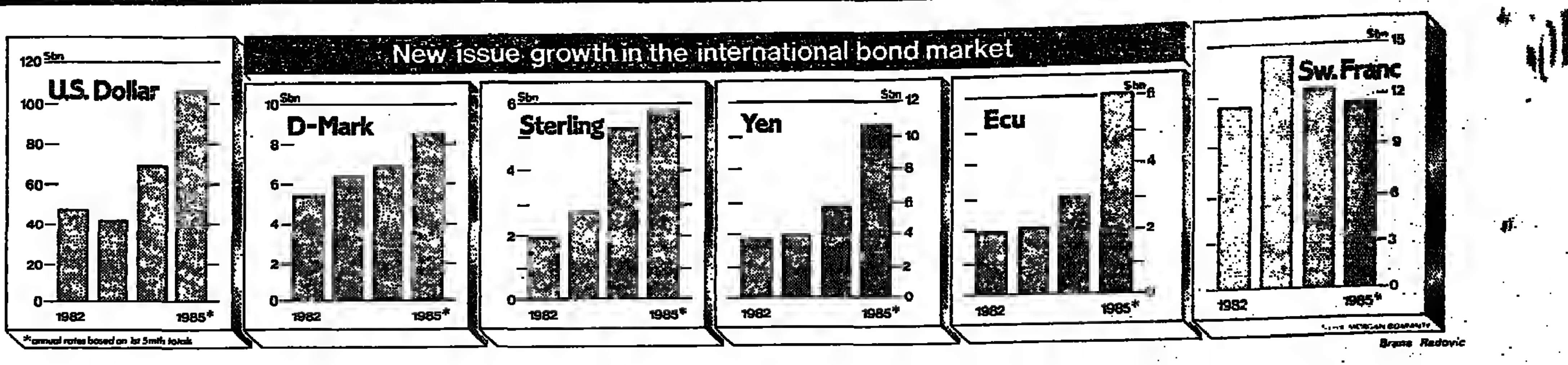
The other major change has been at the Foreign Ministry where Sr Moran has resigned and has been replaced by Sr Fernandez Ordonnez, an experienced politician with few socialist credentials and very much at the Prime Minister's command. Sr Moran bows out with the success of having presided over the negotiations for accession to the EEC. Yet Sr Gonzalez was never happy about Sr Moran in the Cabinet, 15 years older than any of his colleagues and from a more leftist socialist tradition.

Sr Moran was firmly identified with those in the Socialist Party who opposed Spain's membership of Nato. This is the biggest issue facing the Government between now and the next elections, and Sr Gonzalez has made the first step in publicly clarifying his government's stance over the alliance.

The Socialists' electoral platform of 1982 pledged a referendum on Nato with the clear implication that they would favour a withdrawal. Since then Sr Gonzalez has frozen integration in the military structure of the alliance; but in private has discovered the benefits of Nato to the extent that he is understood to favour remaining a member.

Opinion polls in Spain continue to show that a majority of the electorate is against Nato, preferring an ill-defined neutralism. The Government has been hoist by its own petard with this referendum. If it is to swing people behind the Nato idea, then Sr Gonzalez very soon must state clearly where he stands.

It is not going to be easy for him, *vis-à-vis* his own party and the electorate, to campaign in favour of Nato. But he must now put to effective use his formidable powers to communicate and the enormous goodwill which he retains even after nearly three years in office.



Brian Radovic

Capital markets: now the frontiers come down

By Peter Montagnon, Euromarkets Correspondent

A QUIET but profound revolution has occurred in the $100bn-a-year international bond market.

Almost imperceptibly to all but the most specialist insiders the market has gone global. The rigid demarcations that once separated, say, the eurodollar bond market from its counterparts in West Germany and Japan have been broken down. Now, more than ever, practitioners are used to the idea of talking in terms of one market place, covering effectively almost the whole of the industrialised world.

Talk of a global market first became fashionable last year when the U.S. abolished interest withholding tax for non-resident purchasers of bonds launched in its domestic market. That was supposed to eliminate the distinction between the mammoth U.S. market and its smaller counterparts in Europe.

In fact by far the largest impulse has come from the rapid growth of business in swaps—the practice whereby a borrower *raises* money *in* one sector of the market and swaps it with funds raised in another to achieve a better rate or a more suitable currency than he could otherwise achieve.

Suddenly, borrowers are no longer restricted only to that particular market which offers the currency and type of debt they require. Instead they can pick and choose, launching issues in markets where they will get the best reception or where funds are most readily available and then switching the debt into another currency, or from fixed to floating rate, or vice versa. "Swapping techniques have made a global debt market," says Mr John Botts, managing director of Citicorp Investment Bank in London.

Central banks worry that institutions which arrange swaps may be piling hidden risks on to their books, yet few insiders doubt that the swap market is now permanently established as an essential ingredient in international finance.

In practical terms, the development of the swap market has not only drawn new currencies into the international arena, many of which, such as New Zealand and Australian dollars or Ecus or Danish Crowns would scarcely otherwise have any real relevance. It has also provided a new tool for borrowers to manage their debt efficiently in an age when liability management to keep borrowing costs to an absolute minimum has become all the rage.

Investors, too, are latching on to the idea. Whereas in the past an institution that wanted to add to its portfolio of British Government gilt-edged stock also had to take an exchange risk in sterling, that is no longer the case today. Using concepts developed in the swap market and increasingly the swap market itself, it is now theoretically possible to buy what are effectively yen-denominated gilts.

The actual mechanics of the swap market are extremely complicated and its development has only been made possible by the explosive growth in both communications and computer technology. But the principles underlying the market are extremely simple as is shown by the classic pioneer swap deal organised by the World Bank in 1981.

The Bank arranged to exchange a dollar bond issue with one in cheap Swiss Francs raised by IBM. Before that the World Bank had been a heavy borrower in the Swiss market and therefore had to pay a large premium for its money, while IBM was a heavy taker of dollars but still able to capitalise on its rarity value in Switzerland where investors traditionally lap up paper from U.S. corporate household names.

Swaps only, however, really became big business last year when, according to the investment bank Credit Suisse First Boston, $80bn worth of business was done and swap transactions lay behind at least half the new issues in international bond markets. So far this year business is thought to have been running at an annual rate of over $100bn. Prudential-Bache Securities, which together with its parent The Prudential Insurance Company of America has just formed a special company to deal in swaps, reckons that the annual volume of interest rate swaps alone could surge to $200bn by the year 1989.

Mr Eugene Rotberg, the World Bank's treasurer, says swaps "permitted us to borrow a number of currencies which had rather high nominal interest rates. It spread the Bank's name into new markets which before we didn't see fit to use."

As the swap market has developed the deals themselves have become more and more sophisticated. Nowadays a swap operation may often involve three or more borrowers each intent on getting exactly the form of debt he wants in the right currency and at the best possible price. Combined currency and interest rate swaps have become common so that, for example, a borrower of fixed rate Australian dollars may actually finish up with floating rate debt in U.S. currency.

This year has also seen rapid growth in the secondary market in swaps. Many large investment banks which specialise in this type of business now have a pool of swappable debt which they can buy or sell to each other or to their end customers. And this allows the nimble corporate treasurer to dip in and out of the market, sometimes building, demolishing and resurrecting a swap package all within the space of a month.

That in turn has helped foster the market for investor swaps. "We have done very substantial volumes of UK gilts hedged into dollars with U.S. investors. That is now beginning to globalise the market from an investor perspective as well," says Mr Jeffrey Hanna, a senior bond analyst with the New York investment house Salomon Brothers.

In other words the swap market has profoundly changed the way people think about the international debt markets. Where once a borrower needing floating rate funds had to launch a floating rate note issue, he must now look at fixed rate markets too and see if rates are better via a swap. And if after, say, six months rates have fallen, he can lock into the more attractive lower level of fixed rates simply by unwinding the swap.

But there is a catch. Swaps are complex and delicate structures, a large part of which remain hidden from the gaze of both the public and those government authroities responsible for ensuring the smooth working of the international financial system.

Almost invariably investment banks which have developed the swap market refuse to reveal exactly who is swapping what with whom. That means the credit risks cannot be easily guaged and no one knows for sure what would happen if one party to a swap transaction went into default. The risks are hidden. Swap business does not appear above the line in bank balance sheets and it is hard to tell how much any institution has in the way of such contingent liabilities.

That is why central banks are uneasy. The would like to impose capital requirements on swap business to ensure that banks do have the ability to absorb any losses that might arise.

But even if they do, there is little chance of the swap market disappearing. It has grown too large for that and, moreover, the risks far outweigh the new dimensions it has added to the concept of debt management. "If it moves, swap it" most still be the market rule for 1985.

THE COMPLEX AND EXTRAORDINARY MECHANICS OF SWAP DEALS...

THE SECRET behind swaps are the subtle and not so subtle differences in perception of credit and pricing between one sector of the world debt markets and another.

The New Zealand dollar market is a case in point. Interest rates on New Zealand eurobonds are typically about 16 per cent, and that attracts international investors because it is a far higher rate than they could expect to receive for U.S. dollar paper.

But interest rates on domestic issues are as much as 2½ percentage points higher still because, unlike eurobonds, they attract withholding tax.

Suppose, for example, that the treasurer of a smallish New Zealand company wanted to raise some cheap money abroad. His company might well be too little known to obtain funds directly from the international market but it could privately arrange a bank credit in dollars. Then it would swap that debt with a borrower in the New Zealand dollar bond market.

The difference between euro-rates and the domestic rate would be split, so that the New Zealand borrower would end up with New Zealand dollar debt costing more than a eurobond but less than a domestic issue, while the other party which took on the dollar debt would have some extra resources available to reduce its cost.

The New Zealand dollar eurobond market has seen a total of almost NZ$800m in new issues this year. Many of the borrowers such as Denmark and the Nordic Investment Bank have no natural use for the funds they raise in that currency, but they can profit from the swap advantage that an obligation in New Zealand currency offers.

But the height of this "now you see it, now you don't" phenomenon has come with the recent launch of a spate of floating rate notes bearing maximum coupons in the eurodollar bond market.

When the U.S. investment house Shearson Lehman launched the first such deals for France's Banque Indosuez and Banque Francaise du Commerce Exterieur the market was mystified. How come, people said, *that* such prestigious names were prepared to pay such a high price for floating rate funds? Both bore what looked like an outstandingly generous margin of ⅞ per cent over the reference three-month eurodollar deposit rates. It looked like a steal for investors.

But the catch came in another unusual feature. Both the issues bore maximum coupons of 13 1/16 per cent in the case of Indosuez and 13 per cent in the case of BFCE. That means the interest paid on the notes can never rise above this level regardless of what happens to interest rates generally. With short-term dollar rates currently hovering around the 8 per cent level the prospect of this cap, as it is called in the trade, ever *coming* into play seemed remote and investors ignored it, concentrating instead on the rich current return.

The cap was, however, a vital ingredient of the deal as a whole. Lehman had discovered that it could be stripped out of the deal and sold separately to other market borrowers who, for one reason or another, badly need protection against high interest rates.

Most issuers of capped floaters have been banks which do not normally need to worry about the absolute level of interest rates. What bothers them is the difference they can earn between the price they pay for their money and the price at which they can lend it. Forfeiting the protection of the cap was therefore of little consequence to them as long as the proceeds could be applied to reducing the ongoing cost of servicing the issue.

And that is exactly what happened. The cap itself was sold in a swap transaction involving borrowers who might suffer badly at times of high short-term rates. Such borrowers might be U.S. Savings and Loan Institutions with large portfolios of fixed rate mortgages, or they might even be investment banks forced to carry a large inventory of fixed rate bonds on their books. Lehman will not disclose the identity of the counterparty in its transactions, but it did state that the swap reduced the final borrowing cost to BFCE *to just 2.5 basis points above* the London interbank bid rate for eurodollar deposits.

Men and Matters

Posgate seeks a box

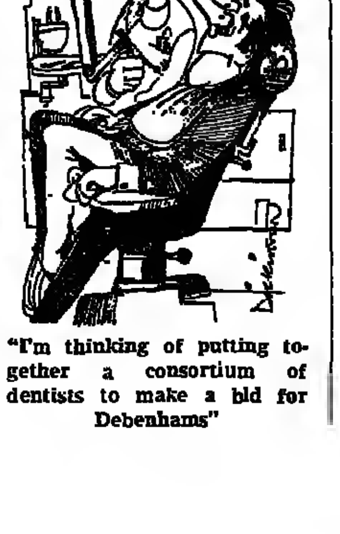
Goldfinger is on his way back to Lloyd's. Yesterday Ian Posgate, once the most celebrated underwriter in the Lloyd's insurance market, cleared an important hurdle in his efforts to resume his career. The Lloyd's ruling council ratified disciplinary proceedings against him which will mean that his suspension in the market could end in the early weeks of next year.

Posgate (popularly known as Goldfinger in the market) is in relaxed mood. In his offices overlooking the new Lloyd's building yesterday, he reflected that the cost of disciplinary proceedings launched by Lloyd's against him had cost the two sides a total of around £1m.

Posgate, aged 53, wants to start underwriting as soon as possible. "I prefer to be sitting in a box at Lloyd's," he said. He was once the most powerful marine underwriter in the world accepting more risks on ships and their cargoes than anyone else. He accepted business for more than 4,000 underwriting members.

His return is likely to be on a more modest scale. He intends to buy a shareholding in an existing underwriting agency, and he has three possible agencies lined up. In addition he is holding on to his 51 per cent stake in the Posgate and Denby agency which he founded. In the first instance he plans to act for between 100 and 200 underwriting members with a capacity of between £2m and £10m. "Jeffrey Archer (the prolific author) asked if he could be my first new name," he claims.

Posgate had a reputation for undercutting rate-fixed agreements in the cartel-style marine market. Would he be so buccaneering again? "I would have to co-operate," he says. "It is only right that I do co-operate. I would like to conform to the market agreements."



"I'm thinking of putting together a consortium of dentists to make a bid for Debenhams"

MG driver

Alistair Buchanan was looking forward to "a couple of months in the garden and some holiday travel" yesterday—a relaxed attitude for a man taking over a hot sea at merchant bank Morgan Grenfell in October.

Buchanan, aged 49, has stepped down as chairman of Cater Allen Holdings and is to be managing director of Morgan Grenfell Government Securities, the company's new primary dealer subsidiary.

The move is a result of Morgan Grenfell's takeover of stockjobber Pinching Denny, Boyle, to form the nucleus of MG's operations in the gilts market. Buchanan, a former director of the London International Financial Futures Exchange, has awide experience in gilts.

Last month MG headhunted two stockbrokers for its new opreations—John Holmes, president of Hoare Govett's U.S. subsidiary to run the equities side and Geoffrey Gollier, president of Vickers de Costa Securities to organise sales and research. But an MG spokesman denied yesterday that it had "pinched" Bechanay from Cater Allen. "He had already decided to step down," I was told.

Off screen

In spite of the wonders of modern satellite technology for beaming television the message from space is a familiar one: "normal service will be resumed as soon as possible."

The ECS 1 satellite became "dissoriented"—official word—yesterday and stopped transmitting pictures just before lunchtime.

The satellite could not have chosen a more embarrassing moment to lose its marbles as far as the British cable and satellite industry is concerned. The big industry exhibition of the year, Cable 85, opens in Brighton today.

Board and pulpit

Within a few years of being ordained into the Church of England as a priest in 1966, William Penney, himself the son of a Kent vicar, surveyed his flock in north west Kent and concluded so many of them were "something in the City" that there was a world he should know more about.

After pursuing twin careers in the church and in industry for the last eight years Penney, aged 44, has achieved his ambition. He has been appointed to his first board-room job as the group development director of Williams Lea, the financial printers.

"My responsibility" he says "is to develop people, to develop the organisation, and to help develop computer and communications technology in the financial community."

Meawhile he will continue to hold down an ecclesiastical job as personal chaplain to the Bishop of Rochester, David Say, and expects to be able to find time to preach a sermon at least once a fortnight.

Penney went from being vicar of Bredhurst, Kent, to the London Business School where he became a Sloane Fellow. He then became involved in the Church of England's Industrial mission before joining the Rockware Group as communi*cations* manager.

At Rockware he had an early personal experience of a modern industrial problem. During the group's slimming-down he was made redundant.

Wee drams

May I be forgiven for saying that a new spirit is entering the North Sea oil scene.

Occidental Petroleum has already dipped its toe into strong waters by calling one of its fields Claymore—also the name of a whisky brand.

Now Oxy is expected to use the names of four of the most famous whiskies from the glens to christen important finds in a North Sea block it has been exploring with partners.

Raise a glass to the new oil and gas fields—Livet, Fiddich, Morangie, and Grant.

No vices

Looking down the list of a forthcoming delegation from China a personnel manager of British American Tobacco noticed one of the visitors held the title Wise Leader.

Was he appointed to look after the spiritual needs of the others, the company wondered?

When the delegation arrived the man in question explained. "In my country we have a chairman, a wise chairman, a president, and a wise president..."

Confucius say, wise is the vice president who knows his place.

Observer

MERSEYSIDE

Some glimmers, more gloom

By Nick Garnett, Northern Correspondent

SURCHARGE NOTICES dropping through the letterboxes of Liverpool's Labour councillors. Workers at Plessey's Huyton plant digesting the loss of 700 jobs, the latest in a dispiriting six-year series of factory shutdowns in greater Liverpool. A new report on the sour atmosphere bedevilling relations between Merseyside's chief constable and its police committee.

To the hardheaded, these may seem no more than three of the latest examples of business as usual in Britain's beleaguered fourth biggest city. But some good things *have* happened in Liverpool and the Merseyside hinterland over the past year despite a consistent unemployment rate of 21 per cent with all the desperate social consequences that implies.

Ironically, these positive developments are newly threatened following the Brussels football tragedy. Heysel has left a legacy crystalised in two questions, both of them central to Liverpool's economic future.

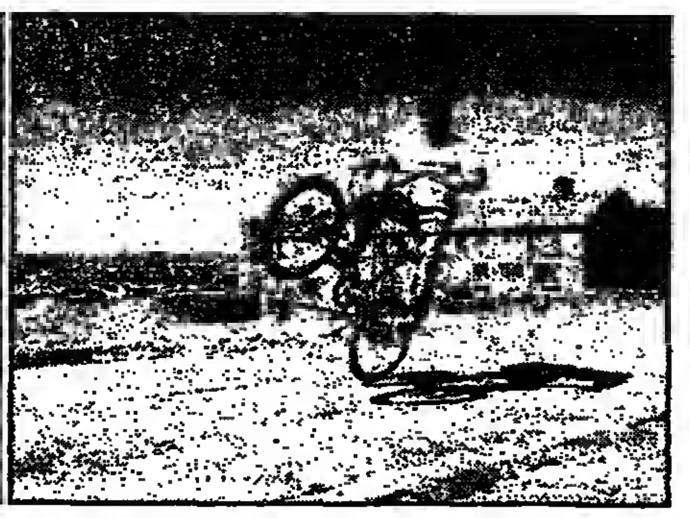
Have the more heartening developments in the city during the past year fashioned a new platform from which to sell Merseyside, which might be jeopardised if the Brussels tragedy reinforces the anti-Merseyside attitudes to be found in many company boardrooms?

Or are the negative factors on Merseyside so overpowering that Brussels is quite irrelevant for most companies who at the moment steer a wide berth of many of Britain's older cities?

"It was a terrible blow. I thought, 'Oh God, it's undoing a lot of the good we have done,'" says Mr Basil Bean, chief executive of the Merseyside Development Corporation, set up by the Government after the 1981 Toxteth disturbances and running a yearly £27m budget to help regenerate the city.

Whatever the validity of that interpretation, it reflects a nervousness among Liverpool's prominent figures precisely because some of them believed that they detected a glimmer in the gloom.

During the past year a clutch of development schemes has either started or come to fruition. The leisure and living community around the restored Albert Dock is taking shape. The garden festival has bestowed an attractive waterfront park. The Tate of the north is due to be opened next year. The pretty Cavern Walks shopping centre, the second phase of the maritime museum and Beatles City all helped to bring in more tourist business than ever before.



The attractive new face of Liverpool (left), but perhaps this dilapidated site in Everton is more typical

The Wavertree technology park alongside Plessey's telecommunications site in Liverpool was opened last year, too, and the old exchange station is under commercial office development. Three-quarters of the units in the new enterprise workshops at the South Brunswick dock are full. Despite the unedifying scenes in Liverpool's town hall and the deep-seated management control problems in municipal services, many more pockets of new housing development have taken root, including 3,600 new council house starts in two years.

It has not just been cosmetic. Merseyside's much battered labour relations image is changing for the better. Nabisco at Aintree entered a two-year wage deal with its workforce. AC Sparkplugs at Kirkby and the Mersey Docks and Harbour Company both moved into their second two-year deal.

The number of registered dockers in the Mersey system tumbled recently to 1,950 (from 10,500 only 13 years ago), a more realistic manning level, and after negotiated changes in working practices the Mersey dock company notched up a £1.9m operating profit last year.

These changes and reinvestment decisions by companies like Bibby and Ford pumped new adrenalin into Liverpool's promoters and helped persuade more than 300 company chairmen to take a look at the city last year.

"We think confidence was being restored. I hope this is only a temporary hiccup," says Mr Bean.

"There is always someone who is anti-Liverpool on the board of a company," says Mr Jack Stopforth, chief economic adviser in Mercedo, Merseyside County Council's economic development arm. "Brussels could reinforce this antithesis. I hope it doesn't and I have to be careful not to be paranoid."

The reporters and cameramen from 23 countries who descended on Liverpool in the wake of Brussels were certainly in a mood to dissect it piteously. "Show us where the poor area is. Show us the streets where the murderers live. Those are the kind of questions we had to deal with," says the head of Merseyside police's press relations team.

Some of the business community believe Heysel will have no impact because business is business. "There's still a great area of shame but it will have no effect on economic development," says Mr Keith Robinson, Merseyside Chamber of Commerce and Industry's director. "It won't affect business relationships," agrees Mr Norman Clare, managing director of a small manufacturer of billiard tables and bowling green bowls which has traded in the city for 73 years.

Ominously for Merseyside, however, many union officials, some politicians and business leaders say that Heysel will have no economic significance—but for a different reason.

"Industrial development goes to where the profit is. Judgments are made on a straightforward profits basis," says Mr Tony Byrne, chairman of Liverpool's finance committee and *bete noir* of the business community.

In this view, new capitalist money will descend on London's *docklands* but wants little truck with Liverpool, whose economic failure remains stubbornly bleak. The evidence cited looks persuasive.

No significant outside investment has found its way into Liverpool for the past half-decade. In the latest national British Chamber of Commerce quarterly survey, Merseyside is the only region registering falling domestic orders and an overwhelming profile of net labour shedding. It also has the gloomiest industrial investment intentions and the weakest measurement of business confidence. "The position is not as Bullish as the CBI would have it," says Mr Robinson.

Even many of the area's new assets have yet to be realised in any economically meaningful way. The 600-acre six-month-old Freeport, used by 100 companies for storage, boasts only one manufacturer and one warehousing unit, bringing just 50 jobs. However, another manufacturer might soon be moving in. The Wavertree technology park remains largely a collection of advance factories.

As a generator of economic life, the MDC's role has yet to be proved. "They have done the easy bit. The real challenge is what I've been struggling with. Trying to generate new life and economic health into this place," says Mr Stopforth. "I wish them well."

While some see that as over-pessimistic, the damage, real or imagined, done by the more hysterical outpourings of the world's Press is probably little more than a pinprick given the persistence of Liverpool's three chronic and deep-lying weaknesses.

● Its industrial structure, as with so many areas of the North West Midlands and South Wales, is hopelessly lop-sided and frail. The problem does not lie with the docks whose decline has been over decades, leaving perhaps seven of them in regular use, as against 34 in the 1960s. But the reorientation of trade towards the East Coast ports and the impact of containerisation and bigger vessels have led to 30 transport and shipping companies shedding 6,000 workers in the past six years. During the same period some 12,000 jobs have been lost in more than 30 food, drink and tobacco plants, 18 of them closing for good. Among the total of 45,000 announced redundancies in Greater Liverpool since 1P" 13 of the announcements each involved more than 1,000 workers.

● Traditional business *mores* or the lack of them are a worrying drag on long-term prospects. "They haven't a great tradition of self-employment here," says Mr Sam Stevenson, Scottish manager of Business in Liverpool, a small business help agency operating from Liverpool's smart innovation centre. "I don't know what's happened to all this redundancy money but it hasn't come across my desk."

● Liverpool's chronic social problems continue to fester. In the admittedly out-of-date EEC regions of Europe survey published last year, Merseyside ran up a rating of 44 in an index based on employment, unemployment and GDP against a European average of 100. The index slotted in Merseyside just above Sardinia and below Sicily. A quarter of Liverpool's 210,000 private and council owned housing stock is judged to be severely substandard.

Some of these problems are visible in many other cities whether it's the rapid erosion of traditional employment in Birmingham or South Tyneside or the physical decay of North-West London or Bradford.

But the intensity of Liverpool's plight and its peculiar mixture of defensiveness and aggression sometimes fuse into a kind of business paranoia.

It also creates a lot of closet socialists. "We know there is nowhere for these people to bike to get a job," says one businessman. "The Government has to see we need more training and retraining." But life for most people perhaps continues on a normal, acceptable path. In the blazing sunshine this week, families walked, arm in arm, along the Mersey promenade, boys in racing overalls and oversize helmets pedalled their BMXs in the streets of Toxteth and teenagers leisurely practised their football skills in Everton Valley. "The extraordinary story coming out of Liverpool," says Mr Stopforth, "is that really it's ordinary."

Lombard

A proposal for Northern Ireland

By Margaret van Hattem

IT NO LONGER looks beyond possibility that the Irish and British governments may reach agreement on Northern Ireland this autumn. The gaps—particularly regarding control and scrutiny of the security forces—may still be wide. But negotiators on both sides of the Irish Sea are beginning to say the odds have swung in favour of a deal.

However, such a deal would, by *definition, have to carry the* endorsement of the northern nationalist minority — Dublin could not agree to less. It would therefore, again virtually by definition, be repulsive to the unionist majority.

Are we to believe that the British Government is finally preparing to stand up to the threat of loyalist violence, which has underwritten the way the province *has* been administered for the past 12 years? There is little sign of it—and in any case, is that what we really want?

Forcing an unwanted deal on the majority of the province would be most un-British—and bad politics to boot. Here, therefore, is a modest proposal for getting around the problem.

It starts from the premise that, whether or not the minority community is relatively content, the province will not be stable unless the majority feel they have the upper hand, and are sufficiently in control to ward off all perceived threats from the south.

The first step would be to set up a power-sharing executive, to which power would be devolved from Westminster. Since the unionist leaders would most probably wish to boycott it, it might initially have to be made unboycottable, along the lines first mooted—and later, unfortunately, abandoned—by Jim Prior. The Northern Ireland Secretary—perhaps in consultation with a Dublin counterpart—would appoint members from both communities; if these refused to serve, others would be appointed until a full complement were found. Elections could later be introduced.

The second step would be a British announcement of a phased withdrawal of both troops and public subsidies. The withdrawal of troops could be set for a medium term, say three to five years; the withdrawal of subsidies for a much longer term, say 30 years, with the aim of making the province self-supporting at the end of that time.

Neither of these withdrawals would be irreversible. But, and this is the important bit, any initiative to halt or reverse the process would have to be taken by the *power-sharing executive*, supported by a majority of members on both sides. Moreover, any proposal to bring back troops would require that half the incoming troops should be from the republic, the other half from Britain.

The British presence in Northern Ireland since the introduction of direct rule may have been well-intentioned, even honourable—but it has been a disaster insofar as it has sheltered the leaders of both communities in Ulster from the need to accept responsibility for their own affairs, and hence, to negotiate with each other.

The advantage of the above proposal is that it would leave Ulster politicians with the power and the responsibility. They could no longer afford to sit back and veto everything—the results would be on their own heads.

Such an arrangement could not work without a rock-solid agreement between London and Dublin not to intervene over the heads of the Ulster executive, or in contravention of the rules of acceptability to a majority of both sides represented on it.

That *agreement would have* to endure through whatever the paramilitaries on both sides in the north resorted to, in the probably inevitable attempt to bring it down.

The proposal requires London and Dublin to start treating the people of the north as adults. Who is to say that the people of Ulster would not meet the challenge?

Unreliable data

From Mr J. G. Morrell

Sir,—With reference to Max Wilkinson's analysis of forecasts *for 1984 (July 3)* the main problem in making comparisons is the growing unreliability of the national income accounts.

The annual revisions to the estimates, going back several years, are of quite alarming proportions and it appears we know less and less about more and more. Recent examples of the problem are the "black hole" in the company sector's flow of funds, with an "errors and omissions" item of £10bn and a similar (though smaller) discrepancy in the personal sector.

This makes it extremely difficult to say what numbers to compare forecasts with. For example, consumers' spending is shown to have increased by only 1½ per cent in real terms in 1984, whereas retail sales are estimated to have risen more than twice as fast. The likelihood is that when the full national income accounts are published in September the consumers' spending estimate for 1984 will be revised upwards — and again in the September 1986 estimates.

The only items where comparisons can be made with certainty are exchange rates and prices. For the moment, a forecaster getting a good score on Mr Wilkinson's comparisons for 1984 may well get a lower figure against revised national accounts in a few years' time and vice versa.

Far more research work needs to be done into national accounts estimation, and more resources, rather than less, need to be devoted to trying to uncover the truth. Bad data may well result in bad decisions in the national as well as the business field.

James Morrell
1 Paternoster Row, EC4.

A significant distortion

From Dr R. L. Stone

Sir,—Your fascinating article on the performance of the economic forecasters in 1984 contains numerous disclaimers. But you fail to mention one significant distortion. Your scores are based on percentage errors in predicting percentage changes. If I predict an increase of 3 per cent from 100 to 103, and if the out-turn is 4 per cent higher at 104, then you would mark me as being 30 per cent out. I could legitimately describe myself as being less than 1 per cent out.

R. L. Stone
158 Station Road, Finchley, N3.

Letters to the Editor

EEC sugar export subsidies

From Assuc (the EEC sugar traders association)

Sir, — According to Ivo Dawnay in Brussels (Commodities Page, July 4), this association is reported to have telexed the EEC Commission to say it would be making bids to meet commitments even though these might involve loss-making deals.

We did indeed send a telex to the Commission following its statement the week before regarding export restitutions for sugar, but not quite in those terms.

Briefly, what we said was to protest strongly at what we regard as a change of rules in the middle of the game, and to emphasise that many traders have made commitments to producers to purchase sugar for export and/or to customers overseas for the sale of EEC sugar in the normal course of international business.

We also pointed out that this course of action would, in the long term, cause traders and customers to turn to other sources of white sugar, making it more difficult and more costly to dispose of EEC sugar in the world market.

We said that if some traders submitted bids for restitution at or lower than the Commission's declared maximum, it would not in any way signify agreement or compliance with the Commission's new policy, but simply enable them to honour their obligations even if these resulted in substantial trading losses to themselves.

D. A. G. Belben.
President, Assuc.

Nellist 'technique' attacked

From Mr M. T. Slorin

Sir,—Mr. Nellist's odd letter (July 3) is notable more for its form than its content. He demonstrates the "smear technique" in almost classical form: first, you yourself assert certain values of an organisation (in this case ICI); second, you associate an individual (Sir John Harvey-Jones) with that organisation; then you associate that individual with another organisation (the SDP); and finally you attack this second organisation on the basis of your original assertions.

None of this would matter, of course (except for its unfortunate effect on support for the just cause of South Africa's black workers) were it not published on the same day as Mr Kinnock's dismissal of the Scargill "delusions." Mr Nellist represents a minority of Labour MPs, but if Labour does well at the next election, many of the new, unknown MPs will be like him. They make it clear that they do not want Mr Kinnock as their leader. Mr Kinnock will need the unions to sustain him in power. Will he be so dismissive of Mr Scargill's demands then?

Michael Slavin.
30, Greenholm Road, SE9.

The free market and conveyancing

From Professor J. T. Forrond

Sir,—My attention has only just been drawn to your suggestion (June 7) that I had publicly attacked the Lord Chancellor's arguments against conveyancing by banks and building societies. This suggestion is not well-founded. What I actually did was point out certain apparent illogicalities in the Law Society's stance against such conveyancing. This should not be taken as support for the banks and building societies.

My position is that I have yet to be persuaded that the lending power of those institutions would not lead to a *de facto* monopoly which might well prove contrary to the best interests of consumers.

(Dr) J. T. Farrand,
69 Trinity Court, Grays Inn Road, WC1.

In defence of 'Ariadne'

From the manager, Garrick Theatre

Sir,—Max Loppert's review of "Ariadne auf Naxos" (July 5) was quite extraordinary. To suggest that this production was unmusical and unverbal was ridiculous. Rarely have I heard the Covent Garden orchestra play with such feeling for Strauss's magical score, and as for the words I certainly heard the vast majority of the text clearly enunciated by a cast which was as fine as the original one earlier in the run. Lucky Covent Garden to have two such fine Ariadnes on view.

Mr Loppert's copybook is *forever blotted* by his suggestion that: "The thought that the close of the current season is occupied with this rubbish and La Donna Del Lago is almost too grim to bear." The only thing which is too grim to bear is Mr Loppert's insensitive, ill-thought, and ill-mannered review. To paraphrase, it is a "hand-written nonentity."

John Aitken.
Charing Cross Road, WC2.

Timber vote of confidence

From Mr W. L. Kent

Sir,—The figures given in the first and last paragraphs of your report (July 3) on the Phoenix Timber EGM appear to be at variance but the significance of both sets is the same, namely that the dissidents — who held 30 per cent of the votes — received little support from the rest of the shareholders who polled strongly in support of the board.

The strength of the opposition to the dissidents is reflected in the high poll. It seems quite extraordinary that such large numbers of small shareholders should take the trouble to vote that the percentage of votes cast was 89.8 per cent.

W. L. Kent.
8 Dudlow Green Road, Appleton, Warrington, Lancs.

The key factor —marketing

From Mr L. G. L. Unstead-Joss

Sir,—Through all the references to the plight of the microcomputer manufacturers, notably Acorn and Sinclair Research, one aspect of their business has too rarely been mentioned: that of marketing.

Marketing, at its best, can ensure that stocks are available to meet projected demand; more importantly still, it can ensure that what is technically possible to manufacture is not regarded — in a rapidly changing market — as the product most likely to make profits.

The customers' needs and wishes must be consulted often enough to ensure the survival, let alone the prosperity, of the business. It is here that problems began — in marketing.

L. G. L. Unstead-Joss.
4 Liberton Gardens, Edinburgh

Provincial brokers show the way

From Mr C. E. Rogers

Sir,—Amid all the ballyhoo surrounding a certain well-known broker's decision to deal for smaller clients at Stock Exchange minimum commissions and give a dealer-only service, I would like to point out that provincial brokers have been doing this for years with none of the trappings such as plastic cards and without specifying any minimum size.

Christopher Rogers.
37 Castle Street, Salisbury, Wiltshire.

FINANCIAL TIMES

Tuesday July 9 1985

RISE IN STERLING AND RAW MATERIAL DATA PROMPT CALL FOR RATE CUTS

Hopes for lower British inflation

BY PHILIP STEPHENS IN LONDON

THE BRITISH Government's hopes of a fall in UK inflation later this year received a boost yesterday with news that manufacturers' fuel and raw material costs are now rising more slowly than at any time since early 1981.

Much of the improvement reflects sterling's recent surge on foreign exchange markets. Yesterday, a sharp weakening in the value of the dollar once again helped the pound to shrug off concern over oil prices. Sterling rose above DM 4 for the first time in nearly two years.

The brighter inflation outlook and the continuing flow of overseas funds into the pound is likely to reinforce demands from industrialists for an early cut in British interest rates.

The Treasury, however, has made clear that there is no scope for a sizeable reduction and the potential for even a small cut may depend on market reaction to figures, due later today, for the growth of the money supply in June.

The Department of Trade and Industry said that its index of manufacturers' input prices fell by 1.1 per cent in June, pushing the annual rate of increase down to 2.2 per cent from 3.2 per cent the previous month.

The actual fall in costs in June was to a large extent a reflection of lower world commodity prices – for both oil and non-oil products – but sterling's recovery since March has been central in slowing the annual growth rate.

In January, input prices were rising by an annual 9 per cent, but since the pound appreciated by nearly 30 per cent against the dollar.

There have also been much smaller increases in manufacturers' factory gate prices. In June these rose by only 0.1 per cent, leaving their annual growth rate unchanged at 5.6 per cent, compared to over 7 per cent at the start of the year.

The slower pace of wholesale price inflation should start feeding through into retail prices after a lag of three or four months, but the extent of the impact is likely to depend on the growth of unit wage costs.

The pound's strong performance yesterday, both against a weakening dollar and against European currencies, came despite the inconclusive outcome to the weekend's Opec talks.

After dipping initially, sterling closed in London at $1.3450, 1.75 cents higher than on Friday. Against the D-Mark it rose 1.5 pfennigs to DM 4.0050, while the sterling index was 0.2 points higher at 82.2.

The dollar, which has been undermined by fears of slower U.S. growth, fell below what had been regarded as an important psychological barrier at DM 3.00 to close in London at DM 2.9800, down 2.6 pfennigs on the day.

On the London money markets, UK interest rates eased slightly amid speculation thet if the pound continues to rise, the authorities may see scope for a small cut in borrowing costs.

Today's money supply figures are widely expected to show further strong growth in sterling M3, the most closely watched aggregrate, but may be distorted by last month's flotation of Abbey Life.

The Treasury has also been playing down the significance of sterling M3 in interest rate policy, placing greater emphasis on the exchange rate and the narrower money supply measure, MO.

Tempering the optimism, however, was the expectation that figures due on Friday are likely to show retail prices still rising by an annual 7 per cent, while uncertainty in the oil market is likely to last until the next Opec meeting

Inmos to cut quarter of UK and U.S. jobs

By Guy de Jonquieres in London

INMOS, the microchip manufacturer owned by Britain's financially troubled Thorn EMI, expects to cut its total staff of about 2,000 in Britain and the U.S. by about a quarter in the next three months.

Mr Harold Mourgue, Inmos's chairman, said yesterday that he hoped the initial cuts could be limited to 400-500 staff. But he said that up to half the jobs at Inmos might be affected eventually, although "that would be at the extreme of our thinking at the moment."

The cuts, on which final decision will be taken in the next two weeks, are intended to reduce Inmos's annual costs by £20m ($26.8m) and help it to return to break even by the end of this year after plunging deeply into loss in the past six months.

Future staff levels would depend on the commercial success of new products. Those include a new family of static memory chips, introduction of which had been delayed by technical problems since the start of this year, and the transputer, a computer on a single chip.

Mr Mourgue said the planned job cuts would affect all areas of Inmos's operations. They would be spread fairly evenly between the company's U.S. and British operations, each of which today employs about 1,000 people.

Thorn EMI has already made a £21m extraordinary charge in its accounts for the year ended March 31, which were published last Friday, to cover the costs of Inmos's planned withdrawal from production of dynamic memory chips, where price cutting has been particularly fierce.

Mr Mourgue did not expect the planned job reductions to require any further provisions in this year's accounts.

About 20 Inmos executives in Britain and the U.S. have left the company since Sir Graham Wilkins took over from Mr Peter Laister as chairman and chief executive of Thorn EMI a week ago. Dr Richard Petritz, Inmos deputy chairman, and Mr John Heightley, chief operating officer, have also been removed from their posts.

Earlier this year, Inmos laid off about 90 staff in the U.S. in response to a severe decline in the semiconductor market. It is estimated that the microelectronics industry worldwide has laid off some 14,000 staff, a fifth of its total workforce, in the past six months.

Inmos said yesterday that its new high-speed static memory chips were being shipped to customers in significant quantities. The company said that production difficulties that had led to defects in up to a third of the previous generation of static memories had been solved.

Emergency aid 'running out' as grasshoppers plague U.S. farms

BY NANCY DUNNE IN WASHINGTON

THE first plague was high interest rates. Next came soaring surpluses, weak demand and the strong dollar. The latest scourge for U.S. and Canadian farmers is grasshoppers – millions of them, fattening themselves on already drought-stressed crops.

For a month, since Mr John Block, the U.S. Agriculture Secretary, declared an emergency, federal officials have been fighting the menace to cropland and open range. Aircraft have sprayed malathion on more than 8m acres in 12 states, but the manufacturers of the insecticide have been unable to produce enough to keep up with demand. Even if it were available, officials say they are running out of money to buy it.

By declaring an emergency, Mr Block made $25m available for the war on the hoppers. The Federal Government provides all of the funds for federal lands, half for state land and a third for privately-owned fields. The financing must be divided by 12 states and it simply will not be enough, said a U.S. Department of Agriculture (USDA) official on the scene.

So far, Idaho and Utah are the hardest hit of the infested states. Canada's Alberta and Saskatchewan provinces are also suffering severe damage.

USDA researchers say that the hot, dry weather conditions in the West have upset a delicate balance in which naturally occurring diseases keep grasshopper numbers fairly stable. The insects thrive in this weather and they are reproducing faster than natural diseases can infect them.

A severe infestation officially exists when at least eight hoppers are concentrated to the square yard.

"They eat everything in sight," said one department official. "It's scorched earth after they depart. For some farmers it's a life-or-death proposition."

Aerial spraying, which has covered as much as 200,000 acres a day, has now slowed drastically.

On the land already sprayed, dead hoppers lie in profusion, but officials are worried that they will be unable to kill enough of the adult insects by the middle of this month, when egg laying starts in earnest. The adult hoppers are harder to kill, they say, because they will not feed as readily as the nymphs on malathion. The problems may be even worse next year, when this crop's offspring appear.

California water melon crop poisoned, Page 5

Montedison ties another knot

Continued from Page 1

company (BI-Invest) which holds a stake in itself.

The most curious part of the Montedison deal is that it is history repeating itself. Formed in 1962 from the merger of Montecatini, the chemical company, and Edison, the electric utility, Montedison was in 1968 itself the victim of a successful stock exchange raid. The raider was Sig Eugenio Cefis, who bought control on behalf of ENI, the state energy group.

Under Sig Cefis, Montedison was taken into insurance and banking and in the 1970s was probably the most important power centre in Milan, by general consensus a chemicals company which was manipulated for political motives. The chemicals business piled up losses and in 1977 Sig Cefis was outmanoeuvred.

One of the first things that Montedison did as part of its slimming down process was to sell its insurance interests. The buyer for L112bn was none other than BI-Invest.

Sig Schimberni has done remarkable things at Montedison, essentially by concentrating on the core chemicals business and, in doing so, implicitly pledging to avoid the illogical accumulation of companies from other sectors.

No single interest controls Montedison. A consortium of state banks has recently sold off most of its holdings and the company has thus been effectively privatised. Sig Schimberni therefore comes close to being that rare thing in Italian business, the chief executive of a public company who is not himself its controlling owner.

Whatever lies behind the latest BI-Invest deal, the acquisitive instincts of a major Italian company never seem to die. The irony is that now that Montedison is getting back to health, it is at the same time getting back control of many of those same insurance interests it sold, plus the rest of BI-Invest, as a result of a share raid which has driven a coach and horses through the efforts of Sig Bonomi.

For the time being, the entire deal remains mysterious. It is understood that Mediobanca (which aside from its stake in Gemina also had a stake in Montedison), sold its Montedison shares to the mysterious consortium which ambushed BI-Invest on the Milan bourse and then sold the packet to Montedison. There are even rumours that the Agnelli family might buy the Gemina stake held through BI-Invest from its new owner – Montedison.

An important meeting of Gemina shareholders is expected to address this issue in Milan today.

What is clear as the dust begins to settle on this transaction is that the men who control major Italian industrial groups rarely see themselves simply as industrialists. In a country of many competing centres of influence, the big industrial concerns represent a conglomeration of power that can be expanded as widely as possible, even into areas which may have little or nothing to do with any single company's industrial activities.

EEC transport plan proposed

Continued from Page 1

uct (GDP) growth in France this year at a little over 1 per cent, compared with government forecasts of 1.5 per cent and with lower estimates of around 0.9 per cent by private French economic institutes.

Unemployment is expected to remain at around the same rate of 10.3 per cent as last year. This stable rate reflects the Government's programme to help to ease the problems of youth unemployment by introducing a variety of community work and training schemes this year. However, the Conseil Economique warns that these schemes will not be able to continue for much longer to soak up unemployment, which will inevitably rise again if economic growth does not pick up in the next 12 to 18 months.

The report also says that the French balance of trade continues to remain a major worry at a time when growth in industrialised countries is flattening, French competitiveness is declining and export sales of French agricultural and food products are slowing.

However, the lower level of the dollar against the French currency is helping the French trade balance. If the dollar – franc rate stays at around FFr 9.30, the trade deficit this year could be roughly similar to last year's deficit of FFr 19.8bn ($2.16bn). The balance of payments current account should also be near to break-even this year, as in 1984.

Although industrial investment has recovered in France, all other sectors of economic activity have seen a fall in investments.

Industry is expected to increase its investment by 8 per cent in volume terms this year compared with a 9.2 per cent rise in 1984

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	26	79	Dubrovnik	S	27	81	Malaga	S	28	82	Salzburg	S	23	73
Akrotiri	S	27	81	Faro	F	27	81	Malta	S	29	84	Seoul	C	25	77
Algiers	—	—	—	Florence	S	30	86	Manila	—	—	—	Singapore	F	30	86
Amsterdam	S	17	63	Frankfurt	C	19	66	Miami	—	—	—	Stockholm	F	20	68
Athens	F	27	81	Funchal	F	22	72	Milan	F	27	81	Strasbourg	S	22	72
Bahrain	S	37	99	Geneva	S	24	75	Moscow	C	15	59	Sydney	F	14	57
Bangkok	—	—	—	Gibraltar	S	26	79	Munich	S	21	70	Taipei	—	—	—
Barcelona	C	28	82	Guernsey	S	20	68	Nairobi	—	—	—	Tangier	S	26	79
Beirut	F	28	82	Helsinki	C	17	63	Naples	S	30	86	Tehran	—	—	—
Belgrade	F	25	77	H. Kong	F	30	86	New Delhi	F	31	88	Tel Aviv	S	28	82
Berlin	S	13	55	Innsbruck	F	24	75	New York	—	—	—	Tenerife	—	—	—
Biarritz	F	29	84	Inverness	C	17	63	Nice	F	25	77	Tokyo	F	26	79
Blackpool	F	16	61	Istanbul	F	24	75	Oporto	C	19	66	Toronto	—	—	—
Bordeaux	S	26	79	Jersey	S	21	70	Oslo	C	18	64	Tunis	S	30	86
Brussels	F	19	66	Jo'burg	—	—	—	Paris	S	21	70	Valencia	F	30	86
Budapest	F	23	73	Las Palmas	S	25	77	Prague	F	20	68	Venice	S	25	77
B Aires	—	—	—	Lima	—	—	—	Reykjavik	F	12	54	Vienna	F	22	72
Cairo	—	—	—	Lisbon	S	24	75	Rio de J'o	—	—	—	Warsaw	C	19	66
Cape Town	C	14	57	Locarno	S	27	81	Rome	S	28	82	Zurich	S	22	72
Caracas	—	—	—	London	S	24	75								
Casablanca	C	25	77	Los Angeles	—	—	—								
Copenhagen	F	17	63	Luxembourg	F	19	66								
Corfu	S	29	84	Madrid	F	34	93								
Dublin	C	18	64	Majorca	S	32	90								

Readings at mid-day yesterday:

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Call to liquidate Petro-Lewis

SHAREHOLDERS in Petro-Lewis, the Denver-based marketer of U.S. oil and gas partnerships, are to consider a proposal that it be liquidated, writes Chris Cameron-Jones in New York.

Jakobson Kass Partners, a New York investment group holding 10.2 per cent of Petro-Lewis, disclosed in a Securities and Exchange Commission filing that it intended to propose liquidation to the Petro-Lewis annual meeting later this year. Petro-Lewis had no immediate reaction to the move.

Jakobson Kass, which acquired a stake at the beginning of this year, now says it believes the liquidation of Petro-Lewis would be in the best interest of shareholders because of the company's substantial "losses in the last two years and management's continued failure to propose a coherent plan to restore profitability."

The partnership's representatives had preliminary discussions with third parties regarding a possible plan to acquire control

Petro-Lewis lost $33.4m in the year to June 1984 against net profits of $32.8m the year before. The group had been hit by the slump in the U.S. oil and gas business. Earnings in 1983-84 were hit by a $78.8m write-off on non-recurring items.

Earlier this year Petro-Lewis formed American Royalty Trust to hold a net overriding royalty and a production payment, equivalent to net profit interests, in its 45 public limited partnerships.

Consafe expects heavy losses

By Kevin Done in Stockholm

CONSAFE of Sweden, the world's leading operator of offshore accommodation and service platforms for the oil and gas industry, has run into severe financial difficulties. It expects to lose SKr 300m to SKr 400m ($35m-$46m) this year.

Consafe said yesterday its liquidity had "worsened substantially" during the first half of 1985 and the position was expected to deteriorate further during the rest of the year. Trading in its shares was halted on the Stockholm Stock Exchange.

After a marathon board meeting on Friday, the company has been forced to call a series of meetings with its main creditors in an attempt to arrange a restructuring of its long-term debt.

Its leading creditors include some British and Norwegian banks as well as several Swedish banks led by Scandinaviska Enskilda Banken, Sweden's biggest commercial bank. Mr Bo Ramfors, a managing director of S-E Banken, is also a member of the Consafe board.

At the end of 1984, Consafe had long-term liabilities of around SKr 2.6bn, but much of that is guaranteed by the state, which will have a key role to play in any debt restructuring.

Consafe said that with the "available alternative courses of action" it did not expect its liquidity position to become "acute" during the course of 1985.

No member of the Consafe management was available for comment yesterday, but the group is clearly counting on significant help from its creditors.

If such help is forthcoming, Consafe said it would seek an injection of new equity capital from existing shareholders, which would be underwritten by unspecified "outside investors."

Consafe, which owns wholly or in part a fleet of 18 offshore units, mainly accommodation and service platforms as well as drilling rigs and diving support vessels, said the offshore market had developed much worse than expected this year.

New contracts signed recently at viable rates would not come into operation until the second half of 1986.

The group was launched on the Swedish stock market at the end of 1983. From an issue price of SKr 340, the shares climbed to a peak of SKr 510 early last year. As the company's fortunes nosedived, however, its share price slumped and Consafe shares were trading at the end of last week at about SKr 123.

● Another leading oil services group, Global Marine of the U.S., which owns one of the world's largest offshore drilling fleets, gave a warning last week that it was on the verge of defaulting on more than $1bn in long-term debt because of the slump in the industry.

Tenneco to axe 700 IH jobs in France

By Paul Betts in Paris

THE restructuring of International Harvester's French operations is expected to involve the loss of about 700 jobs and the closure of the group's combine harvester plant in Angers.

Details of the restructuring of Harvester's French business, which was recently taken over by J.I. Case, the farm machinery subsidiary of Tenneco, the U.S. energy conglomerate, are due to be announced to the French trade unions at the end of this week.

Of the three International Harvester plants in France, the combine plant in Angers is likely to be shut this summer with the loss of about 166 jobs. Another 285 jobs will be cut at Harvester's cab building factory at Croix in northern France, which currently employs 725 people. A further 183 jobs will be cut at its transmission and assembly plant at St-Dizier.

Including job cuts at Harvester's Paris headquarters, the group's employment in France is expected to be reduced to about 2,400 people from 3,100 people at present, according to French labour sources.

The French Government has agreed to provide financial support for the restructuring with FFr 130m ($14.3m) in soft loans and FFr 40m in subsidies. Case-Tenneco is also planning investments in France with spending concentrated at St-Dizier, which currently employs about 1,750 people. That plant is due to become Case's European transmission manufacturing centre.

THE LEX COLUMN

Exco makes for the exit

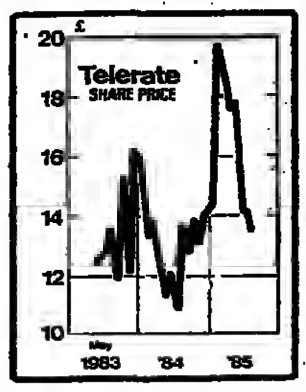
Exco finds it hard to make friends in the stock market. Its share price has been held back over the past two years by the pedestrian performance of Telerate equity in New York and by the perception that Telerate's rapid growth will stretch its parent's balance sheet. Yesterday Exco cashed in its chips, walking out with $425m after a tip to the taxman, and its shares fell 7p to 200p. Having worried for years about Exco's high gearing, the market is now apprehensive about how the group will spend all its money.

Exco has almost become a victim of its own entrepreneurial success. The Telerate dazzle has left the rest of the group's portfolio looking drabber than it would otherwise and has attracted to the financial information business companies sporting technological and financial resources with which Exco cannot hope to compete. The competitive pressures are already making themselves felt on Telerate's margins and Exco can hardly be blamed for deciding that discretion is the better part of valour. Taking on IBM and Merrill Lynch at their own game is not much fun.

The disposal will leave Exco with net cash resources, including its existing liquid assets, of around £360m. Even by reference to the extravagant earnings multiples currently being paid for businesses in the City of London, that is a handsome fighting fund. But it is most unlikely that Exco will pitch wholeheartedly into the London fray. It has never entertained grand strategic designs and over the past year has deliberately kept out of the acquisition game in London. Internal investment and small, piecemeal purchases are much more its style.

Yet deals of the kind which Exco has made to date would scarcely make any impact on a cash pile of such magnitude. And, so long as the money is simply clocking up interest, Exco itself must be vulnerable to a takeover. Stripping out the cash, the group is valued at only around £170m, which represents a multiple of about eight times this year's operating earnings. For a company with highly valued paper, Exco would be an attractive way of raising cash and buying into financial services at the same time.

So Exco must be feeling under some pressure to make a substantial strategic move. It is unlikely to attempt a hostile takeover – at least it never has in the past – and may therefore cast around among its circle of friends. This includes British



& Commonwealth Shipping which, by coincidence or not, has just tidied up its minority holdings and itself owns a sizeable chunk of both Exco and Telerate. The two companies are already linked through Gartmore and B & C would give Exco proper access to a banking business. Ships and helicopters may not be quite Exco's line of business but the group would almost certainly rather buy helicopters on a p/e of five than stockbrokers on a multiple of 20.

Euro-financing

Maybe it is just keeping up with the Joneses, but the rush of UK companies using novel funding methods is rather startling. Only last week, Blue Circle launched a $150m note issuance facility, British Leyland a £100m acceptance facility, Pergamon Press a £80m syndicated loan with a U.S. dollar option and Hepworth's consumer finance subsidiary a £250m acceptance facility. Meanwhile NatWest and BP popped into the Swiss Franc bond market.

Just a few years ago, UK corporate treasurers, with only the odd exception, would hardly have looked beyond their local banker to lend them money. In the first six months of this year, however, they raised $1.84bn through Euronote facilities – and that does not include acceptances. British companies are now the third most active borrowers in that market after the Americans and the Australians.

Credit should be taken on both sides for this adventurousness. While investment bankers have beefed up their marketing, treasurers have become more prepared to listen. And with ICI drawing down the first tranche of its $400m facility at an average rate of six basis points below the London interbank bid rate, it is hardly surprising that treasurers are swallowing their conservatism in the face of cheap money. But those companies which have tapped the market recently probably have their timing just right. A side-effect of the Bank of England tightening up on capital adequacy ratios for these contingent liabilities is that commitment fees have started to rise – almost to the point where it is hardly worth companies refinancing their existing standby credits.

Siemens

Siemens may have underperformed a lively German stock market since announcing its 1983-84 results, but it has kept the loyalty of domestic investors in a manner that UK electronics companies can only envy – and despite being in all the wrong things such as semiconductor manufacture and public telecommunications.

What has excited foreign buying interest are two important changes of tack. Having reached the tax-efficient limit in pushing its cash surplus into additions to provisions and pension funding, Siemens has been obliged to distribute: an increase in dividend this year from DM 10 to DM 12 was assumed in the price even before the board's forecast of a rise in net income of 20 per cent or so.

Equally, Siemens will be investing this year across the spread of its businesses at a rate which is high by any standard – except, perhaps, in comparison with its own cash mountain. Those Eurosceptics who doubt whether Siemens will be first with its 1-megabit or 4-megabit memories accept that Siemens will need the chips anyway – and at least Philips is sharing the cost. Indeed, for all the DM 4bn and more this year to be diverted from the bond market, Siemens has not lost its habitual caution. Having refused to enter an auction for a U.S. factory automation business, it is scarcely rushing into providing switching in the U.S. when the Bundespost remains such a profitable customer.

Siemens remains as safe an entry to the German market as ever, with all divisions running profitably even if office automation, for example, is riding a late investment boom that cannot be repeated. At adjusted earnings per share of DM 65-70, Siemens trades at under nine times prospective earnings.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday July 9 1985

Getting switched on to the information bonanza

BY PAUL TAYLOR IN NEW YORK

YESTERDAY's announcement of the purchase by Dow Jones and Oklahoma Publishing of Exco International's stake in Telerate has a significance which goes well beyond the immediate prospects for the business information service.

It will strengthen Dow Jones' foothold in the electronic information market through the publishing group's Dow Jones news retrieval service – a market and financial new service sold to personal computer owners.

At the same time the transaction represents a further diversification for the closely owned Oklahoma Publishing, a newspaper group which publishes the Daily Oklahoman and also owns, through a subsidiary, television stations in Houston, Seattle, Dallas-Fort Worth, Tampa, Cleveland, Milwaukee and New Orleans, together with several radio stations.

The deal also marks the latest in a string of recent startling developments in the fast changing U.S. computerised financial information industry – developments which are bringing together telecommunications, computer, securities trading and publishing groups.

Less than three weeks ago American Telephone and Telegraph (AT&T), the telecommunications giant, and Quotron, the leading U.S. supplier of centralised market electronic information, announced plans to jointly develop and sell a sophisticated computer-based information system aimed at Wall Street firms.

AT&T's move followed similar ventures by others including International Business Machines (IBM) and Merrill Lynch, the Wall Street securities firm which last year together set up a rival electronic information service called International Marketnet.

According to some estimates the U.S. market alone for stock and other market price information delivered by "dumb" electronic terminals reached almost $500m last year

The entry of such heavyweights as AT&T, IBM and now Dow Jones appears to signal the conviction that the market for such information will continue to expand rapidly.

Telerate's "page five" – an electronic summary of U.S. bond and money market prices and rates updated every few minutes – has come to symbolise the electronic market information service's power on Wall Street.

For hundreds of market watchers in Wall Street, security firms trading rooms, banks and financial companies across the nation, "page five" is compulsive viewing – a fact that helps explain Telerate's phenomenal growth over the past five years.

Since 1980 Telerate's revenues have increased more than six-fold to $114m in the fiscal year ended last September. In 1984, Telerate's number of contributors – financial institutions that help supply the information to fill the electronic pages – grew from 300 to over 400, and the company's "terminal base" of subscribers, who pay an average of about $700 a month for the service, grew to over 14,000 worldwide from 11,000 a year earlier.

Profits have also soared, from less than $4m in 1980 to $28.8m last year, ranking the company as one of the most profitable publicly quoted companies in the U.S. This earnings growth has been fuelled by Telerate's rapidly expanding customer base, coupled with relatively stable costs borne out of its early investment in a sophisticated computer and communications network. As a result, once fixed costs are covered, almost all new revennes sink straight to the bottom line.

Equally important, Telerate has little competition in the booming market for non-exchange market price information – a position strengthened by its 25-year contract with Cantor, Fitzgerald Securities

Charles Batchelor adds from London: Exco International, one of the largest UK money broking groups, has had a short but profitable relationship with Telerate. It first acquired a 36 per cent stake in Telerate in October 1981 when a group of British financial institutions paid $75m for an 89.9 per cent stake in the U.S. company. The remaining shares were left in the hands of Telerate's senior executives.

Exco, through its two money broking subsidiaries Astley & Pearce and Godsell, partnered Guinness Peat, the merchant banking and insurance group, and British & Commonwealth Shipping, a holding group with financial, shipping and aviation interests (B & C also has a 21 per cent stake in Exco).

Club Med increases profits by 21%

By David Marsh in Paris

CLUB Méditerrannée, the French holiday group, reports a 21.6 per cent increase in consolidated net profits to FFr 66m ($7.1m) in the first six months of the year ending October 30.

The improved results, which compare with net earnings of FFr 54.3m to the same period in 1983-84, were made on turnover up 17.7 per cent at FFr 2.72bn.

The 1983-84 results have been restated to produce comparable figures. This follows the company's decision to produce consolidated interim figures – compared with those for the parent company only produced in previous years – and also to split off its activities in North America and Asia to a new subsidiary, Club Méd Inc.

Océ well ahead at six months

By Our Financial Staff

OCÉ van der Grinten, the Dutch copier group which increased profits and dividends last year, reports further strong progress for the first six months of 1985.

Net earnings for the half year are Fl 34.1m ($9.9m), against Fl 29.3m following an increase in sales to Fl 974.7m from the Fl 890.7m of the opening six months of 1984.

Call for details of star wars financing

SIEMENS wants steps taken to clarify the political and financial framework of the U.S. star wars research programme.

It is also anxious to see a proper plan for the financing of the Eureka projects advocated by France for joint European research.

The West German electrical and computer concern's attitude suggests that it is taking a firm line about the terms on which it might be prepared to become involved in the two research efforts.

Chancellor Helmut Kohl has already indicated that West Germany agrees in principle with the U.S. Strategic Defence Initiative (SDI) research programme. But it has also been at pains lately to reconcile this with an accommodating attitude to the Eureka programme being promoted by President François Mitterrand of France.

Discussing the research programmes at a press conference in West Berlin, Dr Karlheinz Kaske, Siemens' chief executive, said that ministers in Bonn still had to make a political and strategic decision about parts of SDI.

If the Bonn Government came down firmly in favour of co-operation with SDI, Siemens would then look at the technological aspects to see whether it made sense to take part.

But Siemens could not be expected to make available its own expensive research facilities for projects aimed far into the future with no clearly discernible commercial applications, he said. Such projects would have to be backed 100 per cent by government finance.

The degree of Siemens' financial commitment would depend on the likelihood of a commercial application, he indicated.

In his view, the Eureka programme was not an alternative to SDI but complementary to it. In common with some other European companies, Siemens had already declared itself willing to work in a Eureka programme if the financing framework was suitable.

At the same time, Dr Kaske predicted that the star wars research programme could have major technological consequences, like U.S. proposals 25 years ago to put a man on the moon. Those efforts had given great momentum to U.S. technology

For that reason, it was impossible for Europeans to ignore the latest U.S. proposals.

Siemens looks for 20% gain

BY JOHN DAVIES IN WEST BERLIN

SIEMENS, the West German electrical group, is continuing to enjoy a strong increase in sales revenue and new orders and expects to show a further improvement in profitability this financial year.

The group, which has embarked on an intense programme of expansion and innovation, is boosting investment spending more than anticipated and is recruiting more labour – although it has introduced short-time working at its electronic components plant at Villach in Austria.

Dr Karlheinz Kaske, Siemens' chief executive, said that sales revenue in the company's financial year to September 30 might come close to DM 54bn ($17.7bn), which would be an increase of about 18 per cent.

The company believes earnings this financial year might increase by up to about 20 per cent. This means the ratio of profits to sales revenue might approach 2.4 per cent, after a sharp rise to 2.3 per cent last financial year.

Under its new profit-oriented dividend policy, Siemens lifted its payout on last year's results to DM 10 per share, after paying an unchanged DM 8 for the previous 12 years. Net profit rose 33 per cent to DM 1.06bn last financial year, with sales 16 per cent higher at DM 45.8bn.

Siemens has been approached by "dozens" of U.S. companies willing to sell out since the West German concern failed in its bid to buy Allen-Bradley, the factory automation company, last January. Dr Karlheinz Kaske, the chief executive, said that hardly a day went by without a proposal arriving in the post. So far, however, nothing concrete had developed, he said. Siemens was outbid for Allen-Bradley by Rockwell International of the U.S. Dr Kaske said that Siemens' sales in the U.S. would rise to nearly DM 5bn this financial year from DM 4.4bn in 1983-84. It was making good progress in its plans to strengthen its U.S presence, he said.

Dr Kaske said sales revenue reached DM 36.7bn in the period from October 1 last year to May 31 this year

This was 37 per cent more than in the same period a year ago, but the increase was inflated by final accounting for three nuclear power stations, he said.

Siemens' inflow of new orders also reached DM 36.7bn in the first eight months of this financial year, a 12 per cent increase on a year ago. Business from abroad showed a hefty 18 per cent rise to DM 19.1bn, while domestic orders were up a respectable 6 per cent to DM 17.6bn.

Dr Kaske said that the number of employees was rising sharply for the first time in five years. While the company's worldwide labour force increased by only 6,000 last financial year, it is expected to rise by 15,000 this financial year.

In some plants, Siemens was having difficulty in finding qualified engineers and tradesmen, he said. This was partly because many job applicants were reluctant to move to other areas.

Investment spending, originally envisaged at between DM 3.5bn and DM 4bn, would now be much more than DM 4bn this financial year, he said. This is a big jump from investment of DM 2.4bn last financial year and DM 1.7bn in 1982-83.

The pace of investment would continue unabated in the next financial year, he said, making a total of nearly DM 9bn in two years. Much of it would be in the growth areas of semiconductors, factory automation, office equipment and public communications networks.

Dr Kaske said that Siemens "megaproject" to build powerful new generations of semiconductors was "on time and in budget." The company aims to begin production of 1-megabit chips (able to store more than 1m bits of data) in 1987 and 4-megabit chips (4m bits of data) in 1989.

Siemens' electronic components division, which booked a 38 per cent rise in new orders last financial year, had suffered a decline of 2 per cent so far this year. While U.S. companies had resorted to widespread sackings, Siemens had introduced short-time working for about 40 per cent of its 1,400 labour force at Villach in Austria.

Dr Kaske said that the biggest increase in new orders was being booked by the company's power engineering and automation division. This section of the business in particular was benefiting from the more widespread and more creative use of microelectronics to produce better products.

Medical engineering was also enjoying above-average growth in business.

The communication and information systems division had increased its orders by 20 per cent in the first eight months of this financial year, Dr Kaske said.

He said Siemens' sales revenue would show a decline next financial year to about DM 50bn because there would be no final accounting boost from power station business.

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EUROBONDS

Partly-paid dollar issue fails to attract

BY MAGGIE URRY IN LONDON

WITH Eurobond investors thought to be nervous of buying U.S. dollar-denominated issues for fear of further falls in the exchange rate, Société Générale tried to tempt buyers yesterday with a partly paid issue.

However, the $150m deal, which offers investors a small up-front payment and a year's delay before the balance is due, did not inspire strong demand for paper. The issue has a seven-year life, a 10 per cent coupon and issue price of 99½.

Dealers pointed out that investors who pay the 14½ per cent initial payment would receive the 10 per cent income only on that amount. The balance of 85 per cent, payable on August 19 1986, would earn only around 8 per cent if placed in the money markets for the intervening period. Non-dollar based buyers would benefit from a fall in the dollar if they waited to convert the payment into dollars.

The issue, led by Société Générale, was trading just inside the full fees of 1⅞ per cent.

Norsk Hydro is proving a popular name, and a $100m deal, led by Swiss Bank Corporation International, was selling well inside the 1¼ per cent selling concession. The deal has an average life of 7½ years, maturing in 1993. The coupon is 10 per cent and issue price par.

Salomon Brothers launched a $100m deal for Tribune Company, the U.S. newspaper and broadcasting group which also owns the Chicago Cubs baseball team. The issue was priced to give an all-in cost to Tribune of 56 basis points above the U.S. Treasury yield curve, with a 10-year maturity, a 10½ per cent coupon, issue price at par and fees of 2 per cent. It was not trading widely though sales were reported at a discount of around 1¼ point to par.

Bramalea, the Canadian property group which is BBB rated, made its Euromarket debut with a $75m deal led by Wood Gundy. The seven-year bonds have a 11½ per cent coupon – one of the highest around at present – and a par issue price. Fees are 1⅞ per cent, giving a cost to Bramalea of 150 basis points above U.S. Treasuries, and the bonds traded around that level.

Morgan Stanley launched a NZ$50m issue for Westpac Banking, which is the second largest bank in New Zealand as well as the biggest in Australia. The deal has a three-year life and comes with a 16½ per cent coupon, priced at par. Retail investors were keen buyers.

The latest Euro-French franc issue is for SNCF, the state railway system. The FFr 500m deal is led by Banque Paribas and pays a 11 per cent coupon for the first five years. Thereafter, the terms will be refixed, with put and call options, for two further periods each of five years making the final maturity in 2000. Issue price is 99¾. The issue traded at around 99¼, compared with commissions of 1⅞ per cent.

In the Swiss franc foreign bond market a SwFr 100m private placement for Nagasakiya, the Japanese clothes store group, was announced by UBS. The terms were set at a 5⅝ per cent coupon and 100¼ issue price.

D-Mark Eurobonds improved by ¼ to ⅜ point with good demand from overseas. The fall in the dollar against the D-Mark below the DM 3.00 level is encouraging buyers.

International bond service, Page 18

Tender panel system 'hampers Euronote market'

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

BORROWERS in the fast growing Euronote market have paid excessive rates because of the cumbersome tender panel process through which notes are normally sold to investors, a leading banker said yesterday.

Mr Philip Colebatch, executive director of Credit Suisse First Boston, said the tender panel mechanism, whereby a group of designated banks bids for paper in competitive auction, was an unwieldy one which had distorted the development of a secondary market in Euronotes.

A more flexible approach was needed, he told a symposium organised by Euromoney, the banking magazine.

Mr Colebatch said that in any one tender panel only three to five banks out of a possible total of 60 might be successful to obtaining paper which could be sold on to their customers.

Sometimes a tender panel member would place a "rogue bid" for paper which it was then forced to dump in the market at cut price rates. This could permanently damage a borrower's standing.

His remarks echoed a growing disenchantment in the banking community with the tender panel system, originally introduced to give commercial banks which underwrite Euronote issues a chance to buy and trade Euronote paper.

Many bankers believe that the tender panel mechanism will soon be replaced by a system whereby borrowers issue paper through a limited number of designated dealers.

"The tender panel may indeed disappear," said Mr Gareth Bullock, associate director of Swiss Bank Corporation International.

He argued that the notice period required for drawings under a tender panel scheme was too long at eight to 10 days

Healthy Swiss climate promotes growth

BY JOHN WICKS IN ZURICH

THERE are no signs of heat fatigue on the Swiss capital market. With the summer holidays just beginning, demand is growing from day to day. Securities trading is so heavy that the Zurich stock exchange is regularly working overtime. Total turnover for the first half-year will prove to be higher by at least one third than for the corresponding period of 1984.

The most striking development has been in the equity market, where large-scale buying by domestic and foreign investors has led to the daily breaking of the share-index record. The Swiss Bank Corporation general index yesterday passed the 500 mark for the first time, closing at 505.1.

The vast majority of listed companies have improved their results – and in many cases their dividends – this year. Even with an overall yield of less than 2.4 per cent, Swiss shares are likely to remain attractive in the coming weeks. There is certainly no lack of new rights issues taking advantage of this friendly climate.

The strength of the equities has not meant a corresponding falling-off in the fixed-interest sector. On the contrary, new bond issues are selling like hot cakes. The popularity of Swiss shares has itself boosted the issue of equity-linked convertible and warrant bonds.

Warrant issues are particularly in the limelight. In May, Nestlé raised SwFr 300m and Swiss Bank Corporation SwFr 200m by 3.25 per cent warrant bonds, both issues massively oversubscribed. Subscriptions have just closed for three more warrant-bond floats at the same coupon – SwFr 250m by Union Bank of Switzerland, SwFr 125m by Baloise Insurance and SwFr 40m by Globus, the department store concern – and all of these are also subject to heavy rationing.

More domestic warrant bonds are on the way, including an issue in September by the Japanese-controlled Gotthard Bank of Lugano, whose recent equity placing had to be raised from 50,000 to 85,000 shares after a "very positive" reaction from investors.

Nor are Swiss borrowers alone in tha warrants sector. Last Friday subscriptions opened for the SwFr 300m float by National Westminster Bank through a consortium led by its Zurich affiliate Handelsbank NW. This 10-year issue with a 4.5 per cent coupon and five-year warrants is something of a milestone on the Swiss market. Apart from being the first Swiss-franc bond issues equipped with warrants on the part of a British bank, it is, more importantly, the first foreign bond flotation of more than SwFr 200m since the Swiss National Bank lifted this ceiling in mid-May.

In all, foreign public issues on the long-term market will this month total at least SwFr 1.38bn. Underwriting banks continue to offer a wide selection of conditions – including floating-rate issues as for the pending Italian state railways borrowing, dual-currency offers like the First City Financial issue or the two-tranche transaction of the Inter-American Development Bank which closed for subscriptions last Friday. The first tranche of this latter issue runs for the unusually long period of 20 years.

Swiss coupons may not be very high, with first-class domestic names offering 4.75 per cent on straight bonds and similar foreign borrowings noticeably below the 6 per cent mark (the current Nippon Telegraph and Telephone Corporation bonds – and those of the newly announced 12-year issue of SwFr 70m by British Petroleum Capital – are going for only 5.375 per cent).

However, the interest rate differential against other capital markets has narrowed, and the Swiss franc remains strong. In the foreseeable future, most observers expect the exchange rate to remain favourable, while national bank monetary policy should preclude a further slip in domestic borrowers' coupons.

In the near future, the Swiss capital market seems likely to stay popular with both borrowers and investors. This should be particularly apparent in the case of foreign Swiss-franc bonds. Figures just released by the national bank show that in the first five months of 1985 these reached a record level for the period of more than SwFr 5.5bn, while another new high can confidently be awaited for the first half.

The total of foreign Swiss-franc borrowing approved by the national bank dropped substantially in January–May to SwFr 17.8bn, as compared with SwFr 20.4bn for the same five months of last year. This was due primarily to a sharp drop – from over SwFr 10.6bn to less than SwFr 8bn – in the issue of medium-term notes.

The still substantial notes market has, in fact, been showing signs of weakening for some time now. The scrapping of the SwFr 200 ceiling on bonds is generally expected to take some custom away from this sector, quite apart from the growing call by the authorities to recognise that medium-term notes are no longer the "private placements" they were once known as. This could mean extended investor information on notes issuers and possibly even some kind of stock exchange listing with corresponding prospectus liability.

INTERNATIONAL COMPANIES and FINANCE

Volvo UK lifts profit and sells record number of trucks

BY KENNETH GOODING IN LONDON

VOLVO'S truck and bus subsidiary in Britain achieved record sales in 1984 and increased taxable profit. But it cut the dividend paid to the Swedish parent for the second successive year.

Mr Bert Brandtzaeg, managing director of Volvo Trucks (Great Britain), says in his annual report that overcapacity in the European commercial vehicle industry "had a depressing effect on product prices" last year.

The improvement in his company's pre-tax profit, from £2.22m ($2.88m) to £2.68m, reflects increased sales volumes while "profitability margins on trucks, buses and parts were largely unaltered."

Volvo Trucks (GB) imports the group's commercial vehicles, has six wholly owned distribution companies and an assembly plant in Scotland. Volvo cars are imported to the UK by a subsidiary of the Lex group.

Volvo (GB) turnover rose from £131.5m in 1983 to £153.3m last year and it sold a record number of trucks – 5,071 compared with 4,238 in 1983. Registrations were also a record: 4,466 against 3,911. Some 31 per cent of the vehicles sold last year were assembled in Britain.

Net profit rose from £1.82m to £2.27m or by 40 per cent, but Volvo (GB) cut the dividend by 32.5 per cent from £1.4m to £945,000.

The 1984 pre-tax profit was well below the peak of more than £8m achieved in 1979.

Export unit sales rose by less than 10 per cent from the 1983 level of 338 because last year no oew bus contracts for the Far East were negotiated. Export sales dropped from £8.63m to £7.7m as a result.

Volvo's assembly facility is undergoing e £750,000 rationalisation scheme which aims to boost productivity by 20 per cent. The first part of the programme has been implemented. A new truck line will become operational in the autumn, and e new bus line will come on stream early next year.

Gross investments in 1984 amounted to £1.364m of which £592,000 was for company cars. Future capital expenditure authorised is £143,000, and a further £778,000 was authorised but not contracted for the end of 1984.

Dome to raise C$125m for drilling plans

By Bernard Simon in Toronto

DOME Petroleum, the debt-burdened Calgary energy company, and its affiliate Dome Canada are to raise up to C$125m ($92.5m) from the public to help finance exploration in the Beaufort Sea, off Canada's north-west Arctic coast.

The two companies have filed a preliminary prospectus for the sale of up to 25,000 limited partnership units at a price of C$5,000 each in Beaufort Oil and Gas Program, a company created to drill three wells in the Beaufort Sea later this year.

Shares in the partnership will be convertible to Dome Petroleum common shares either next spring or in April-May 1988. Dome said that it expected to issue no more than 7m new shares in exchange for the partnership units.

Investment in the partnership, which is limited to Canadians, carries attractive tax breaks. The Federal Government's petroleum incentives programme – due to expire next March – provides grants of up to 80 per cent for participants in frontier exploration. Exploratioo expenses are also deductible from income tax.

One Toronto analyst estimated that these concessions might be worth as much as 90 cents in the dollar, but be cautioned that the benefits were offset by the risks of exploration in the Beaufort Sea, where commercial reserves have yet to be found, and of an investment in Dome Petroleum shares.

Dome's long-term debt stands at C$6.4bn. The company earlier this year raised C$121m in new equity following agreement by its creditors to reschedule the bulk of its debt.

SEC warns Carnation on statement

WASHINGTON – The U.S. Securities and Exchange Commission (SEC) has issued a warning to public companies not to mislead investors during takeover talks, Reuter reports.

The Commission cited Carnation, the U.S. dairy products group, for making "materially false and misleading" statements when it twice denied in August 1984 that it was in takeover talks with Nestlé, the Swiss foods giant which eventually bought Carnation.

Beyond publicising the statements, the SEC took no formal action against Carnation.

The SEC said Carnation officials began discussing the sale of the company with Nestlé representatives in early June 1984. From May 25 to July 3, the price of Carnation common stock rose to $64.50 from $54.25 per share, the SEC said.

It said Carnation officials had none the less denied on August 7 and August 21 any knowledge of developments that would make the stock increase. "We are not negotiating with anyone," the SEC quoted Mr Michael Malone, Carnation's treasurer, as saying on August 21.

"The importance of accurate and complete issuer disclosure to the integrity of the securities markets cannot be overemphasised," the SEC said.

The SEC in a footnote criticised a recent U.S. appeals court decision stating that a company may deny knowledge of important information if it believes the informatioo has not been leaked.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for July 8.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Amex Credit 10⅞ 00	100	102⅞	103⅜	+0½	+1	10.01
Amex Credit 12⅝ 88	150	107½	108	+0⅛	+0⅜	9.70
Bank of Tokyo 13⅝ 91	100	113⅝	114⅛	+0¼	+0⅛	10.39
BP Capital 11⅛ 92	150	102⅞	103⅜	+0⅜	+0⅜	10.41
Caisse Nat Tele 13⅝ 91	100	114⅝	115⅛	+0⅜	+0⅞	10.28
Canada 11½ 00	500	106½	107	+0½	+0¾	9.82
Canadian Pac 10¾ 93	100	102¾	103¼	+0¾	+0¾	10.18
Canadian Pac 12½ 89	75	109	109½	−0¼	+0⅜	11.18
CBS Inc 11⅜ 92	100	103⅜	103⅞	+0⅜	+1	10.62
Chevron U.S.A. 12¼ 89	600	105⅝	106⅛	+0¼	+0½	10.44
Citicorp 11½ 95	150	102⅜	102⅞	+0⅜	+1⅛	11.05
Coca Cola 11¾ 91	100	107½	108	+0⅝	+0¾	10.00
Denmark Kingdom 11¼ 89	100	103⅝	104⅛	+0⅜	−0⅛	9.96
Denmark Kingdom 11½ 90	100	105⅝	105⅞	+0½	+1⅜	9.96
Denmark Kingdom 11½ 92	100	104⅞	105⅜	+1¼	+1¼	10.38
Denmark Kingdom 13¾ 91	100	112⅜	112⅞	+0⅜	+0⅜	10.37
Denmark Kingdom 14 91	100	110⅝	111⅛	+0⅛	−0⅛	11.40
E.E.C. 11⅜ 90	100	103⅞	104⅜	+0½	+0⅜	9.92
E.I.B. 12 95	200	108½	109	+0¾	+0⅝	10.51
E.I.B. 13 98	200	111⅝	112⅛	+0⅜	+0⅜	11.08
Export Dev Corp 12 89	100	106⅞	107⅜	+0⅝	+0¼	9.86
Ford Motor Cred 11⅜ 90	100	103⅛	103⅝	+0⅛	+0⅜	10.38
Ford Motor Cred 11⅜ 95	100	103	103½	+0⅜	+0¼	11.04
Ford Motor Cred 11⅜ 92	100	104	104½	+0⅜	+0⅛	10.82
Ford Motor Cred 12 95	100	106⅜	106⅞	+0⅜	+0⅜	10.83
Gen Elec Credit 10⅞ 00	200	101⅜	101⅞	+0⅜	+0⅝	10.03
GMAC 10⅜ 88	200	101½	102	+0⅜	+0¾	9.88
IBM Credit 10⅜ 2000	300	102	102½	−0⅛	+0¾	10.06
Indust Bk Japan 12¾ 89	100	110	110½	+0¼	+0¾	9.78
Japan Air Lines 13⅜ 94	100	119⅝	120⅛	+0¼	+0½	9.94
Kellogg Company 10⅞ 90	100	103⅝	104⅛	+0½	+1¼	9.74
Kellogg Company 11¼ 92	100	104¾	105¼	+0¼	+0¾	10.14
L.T.C.B. 12⅞ 91	100	110⅛	110⅝	+0¼	+0½	10.51
Macy Cred Corp 11⅜ 95	100	105⅜	105⅞	+0½	+1	10.75
Mellon Bank 13 87	100	108¼	108¾	+0⅜	+0⅜	9.47
Merrill Lynch 12¾ 89	100	108	108½	+0½	+0⅜	10.00
Minnesota 11½ 87	100	103¾	104¼	+0¼	+0¼	9.41
Mitsui Trust 11⅝ 00	100	103¾	104¼	+0½	+0½	10.55
Morgan Guaranty 12⅜ 89	150	107½	108	+0¼	+0⅛	10.02
Nippon Cred Bk 13¾ 89	100	111⅝	112⅛	+0¼	+0½	10.12
Nth America 12¾ 01	100	†107⅜	107⅞	+2⅛	+1¾	11.09
Penney J.C. 12⅜ 91	100	108¾	109¼	+0⅜	+0½	10.67
Pru Realty secs 12⅞ 95	546	107¾	108¼	+0⅝	+1⅛	10.72
Quebec Hydro 11⅛ 92	100	104	104½	−0½	−1	10.61
Ralston Purina 11⅜ 95	100	106⅛	106⅝	+0⅛	+0⅞	10.66
Ralston Purina 12⅜ 89	100	108½	109	+0⅜	+0⅝	10.09
Royal Bk Can 12⅜ 92 XW	100	102	102¾	−0½	−0⅛	12.16
Saskatchewan 10 3/4 92	100	102¼	102¾	+0½	+0¾	10.19
Saskatchewan 11 7/8 89	100	107⅜	107⅞	+0⅛	+0⅞	9.61
Statoil 13½ 89	100	111¾	112¼	+0⅛	+0⅜	9.76
S Wales Trsy 11¼ 90	150	105⅞	106⅜	+0⅜	+0⅜	10.66
Swed Exp Cred 10 92	100	98¼	98¾	+0⅝	+0½	10.31
Swed Exp Cred 12¾ 89XW	100	108½	109	+0⅝	+0⅜	10.05
Sweden Kingdom 10¾ 90	200	103	103½	+0⅜	+0½	9.90
Sweden Kingdom 11½ 88	200	105½	106	+0½	+0½	9.00
Sweden Kingdom 11¾ 94	100	107⅛	108	+0½	+1	10.40
Texaco Capital 12⅞ 87	300	106⅝	107⅛	+0½	+0¾	9.17
Total Asia 11½ 95	100	104⅝	105⅛	+0⅝	+0¾	10.67
Victorian Rep 11⅜ 92	150	105¼	105¾	0	+0⅜	10.44
World Bank 12¼ 94	150	110¼	110¾	−0¼	+0⅛	10.42
World Bank 12¾ 94	200	113¼	113¾	+0½	0	10.49

Average price change On day +0⅜ on week +0⅝

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Asian Dev Bank 8 94	200	104¼	105	+0⅛	+0⅜	7.29
Austria Republic 7⅝ 94	200	103⅜	104⅛	0	0	7.02
Baxter Travenol 7¾ 94	200	101⅛	101⅞	0	0	7.00
Credit National 8⅜ 94	200	105⅛	105⅞	+0½	+0¾	7.23
Degussa Int Fin 7⅝ 94	100	102⅞	103⅝	0	+0⅛	6.97
E.E.C. 8 92	200	103⅞	104⅝	+0½	0	7.15
E.I.B. 7¼ 94	300	101	101¾	+0⅛	+0⅞	7.04
Escom 8 92	100	99⅜	100⅛	−0¼	+0⅜	8.04
Ferrovie Dello Stato 8 91	100	102⅞	103⅝	0	0	7.37
Finland Republic 7 92	200	99¼	100	+0⅛	+0⅜	7.06
Gould Int Fin 7⅝ 91	100	103	103¾	−0⅛	+0⅛	6.90
Ireland 8⅜ 92	150	103	103¾	−0⅜	+0⅛	7.47
Japan Fin Corp 7⅝ 91	100	102⅞	103⅝	+0¼	+0¼	6.94
Mitsubishi Hvy 3½ 89WW	300	125½	128	+2¾	+5½	−3.25
Mitsubishi Hvy 3½ 89XW	300	90⅞	91⅝	−0¼	+0½	6.10
Mitsubishi Met 3¼ 89WW	100	101	102	0	+1	2.76
Mitsubishi Met 3¼ 89XW	100	88⅝	89⅜	+1	+1⅞	6.01
Papelco O/S Fin 7¾ 94	250	105¼	106	−0⅛	−0⅜	6.88
Renfe 7⅝ 95	100	101½	102¼	+0⅜	+1⅜	7.47
Renown 3⅜ 00	80	105	106	0	+1⅛	1.98
Reynolds O/S Fin 7⅜ 94	125	102⅝	103⅜	0	+0⅛	7.01
Societe Cent Nuclear 8 91	100	104¾	105½	+0⅜	+0⅜	6.92
Sth African Tran 7⅜ 92	100	96¼	97	−0⅛	−0⅛	8.24
World Bank 7⅜ 88	100	102	102¾	−0⅛	0	6.96
World Bank 8 94	200	105⅜	106⅛	0	+0⅛	7.04

Average price change On day +0⅜ on week +0¾

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
African Dev Bk 6⅜ 94	100	†101½	101¾	+0⅛	−0¼	6.01
Avon Cap Corp 5⅜ 94	130	†99	99¼	+0½	0	5.49
Brit land Corp 6⅜ 99	75	†100¾	101	+3	0	6.06
Council of Europe 6 92	120	†100¾	101	−0¼	−0⅜	5.84
Creditanstalt 5½ 94	100	†98	98¼	0	+1	5.76
Deutsche Bk Fin 5⅜ 95	100	†101	101¼	+0¼	0	5.22
E.I.B. 5⅞ 94	120	†101	101½	+0⅜	+0⅜	5.69
Export Dev Corp 5⅜ 92	125	†99¾	100	−0¼	−0½	5.38
Gen Occidentale 4½ 94	80	†102	102¼	−0⅛	−0⅜	4.22
I C Industries 5⅝ 94	125	†100	100¼	+1¼	−0½	5.60
Ind Fund Fin 5⅜ 94	40	†100½	100¾	+0¼	+0¼	5.86
Int-Am Dev Bk 6⅜ 94	120	†101¼	101½	+0¼	+0⅛	5.92
N.Zealand steel 5⅝ 96	70	†98½	98¾	−0¼	−0¼	5.81
Oesterr Kbank 5⅜ 95	100	†99¾	100	+0¼	0	5.52
Ralston Purina 5⅝ 94	125	†100	100¼	−0¼	0	5.55
Santos Finance Ltd 6 94	130	†98¼	98½	−0⅛	−0¼	6.23
Tokyo Elec Pwr 5½ 93	120	†100	100½	+0⅛	+0⅝	5.45
Tokyo Metropolis 5¼ 94	80	†99¾	99	+0⅛	+0⅛	5.40
World Bk 5⅝ 94	150	†101	101¼	+0⅜	+0½	5.59

Average price change On day +0¼ on week 0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Austria Republic 7 95	30	100¼	100¾	+0⅛	+0¼	6.92
BP Overseas 7 92	17	100¾	101¼	+0½	+0⅜	6.80
Finland Republic 6⅜ 90	15	99¾	100¼	+0⅛	+0⅜	6.74
Mort Bk Denmark 7 92	10	100⅛	100⅝	+0¼	+0⅜	6.92
World Bank 6⅜ 90	25	99⅞	100⅜	+0⅛	+0½	6.59

Average price change On day +0⅛ on week +0⅜

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Australia 13¼ 90 $A	40	102⅞	103⅞	+0⅜	+0¼	12.27
Avco Fin 14 00 $A	35	103¼	104¼	+0⅜	+1¾	12.91
BT Aust. 13⅞ 92 $A	40	103⅛	104⅛	0	0	13.01
Westpac 13½ 88 $A	50	104¼	105⅞	+0¾	+1⅛	11.47
British Columbia 12 90 C$	125	†104	104½	+0¼	+0⅜	10.78
Can Nat Rail 12¾ 95 C$	100	†106	106½	+0⅜	+0½	11.39
Chrysler Cred 12⅜ 92C$	60	†104⅛	104⅝	+0⅜	+0⅞	11.85
Desjardins 12½ 00 C$	80	†100⅛	100⅝	0	+0⅛	11.53
Genstar Fin 11¾ 95 C$	75	97½	98	+0¼	+0⅛	12.15
New Brunswick 11⅝ 95C$	75	†102½	103	+0½	+2⅛	11.14
Shell Canada 11¼ 92 C$	75	101⅞	102⅜	+0½	+0⅞	10.80
Nordic Inv Bk 10 00 NS	50	100⅜	101⅜	+0¼	+0⅜	10.00
NZ Forest 15¾ 92 NS	30	96½	97½	0	+0¼	16.46
Woolworth 16¼ 91 NS	25	99¾	100¾	+0⅛	−1½	16.11
N.Z Govt. 9¼ 90 ECU	150	101½	102¼	+0¼	+1¾	8.76
N.Z Govt. 9½ 92 ECU	100	103⅜	102⅞	−0⅛	+2¼	8.87
Rabobank 9⅜ 95 ECU	75	104⅛	105⅜	+0½	+1⅜	8.80
Eurofima 7½ 92 FL	60	101½	102	0	+0¼	7.18
Philips Lamps 7½ 90 FL	100	101⅞	102⅜	+0½	+0⅞	6.06
Rank Xerox 8 00 FL	100	104	104½	0	+0⅜	6.92
Van Lanschot 7½ 90FL	60	102	102½	+0⅛	+0¾	6.94
World Bank 7½ 90 FL	150	102	102½	+0⅜	+0⅜	6.97
Gaz de France 11¼ 00FF	500	100	100½	+0⅛	+0¼	11.28
Amer Express 11⅜ 92 £	30	103¾	104¼	+0¼	+0⅛	10.49
Australia Comm 11 92 £	40	99⅝	99¼	0	+0¼	11.22
BP Capital 10⅜ 92 £	60	98¼	99¾	−0⅛	0	11.04
E.I.B. 11⅞ 93 £	50	100¾	102¼	0	+0¼	10.81
Imp Chem Inds 11¼ 95 £	75	100	100⅛	−	−	11.18
Inco 12¾ 93 £	50	103	103½	−0⅛	−0⅜	12.08
Mcdonalds 10⅞ 90 £	40	98⅞	99⅜	−0¼	−0¼	11.08
Norsk Hydro 11⅜ 91 £	50	101¾	102¼	−0⅛	0	11.10
Privatbanken 11⅞ 92 £	20	100⅛	100⅝	−0⅛	−0⅜	11.76
Rank Xerox 11 92 £	40	98⅛	98⅝	+0⅛	+0¼	11.11
Royal Trustco 11⅞ 90 £	30	100¼	100¾	+0⅛	+0⅜	11.29
Star Drug Cap 10⅞ 90 £	30	99⅛	99⅝	+0⅜	+0⅜	11.08
Swed Exp Cred 11⅞ 92 £	50	100⅝	101⅛	+0⅛	+0¼	11.35
Trusthouse Forte 11⅛ 90£	50	98¼	98¾	0	+0⅜	11.42
World Bank 11¾ 95 £	100	101⅝	102⅛	0	+0⅛	10.92
E.C.S.C. 10⅛ 94LF	100	105⅛	105⅞	−0⅛	0	9.06
Nat Lux Alum 10½ 92 LF	600	105⅝	106⅝	−0⅛	0	9.30

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
B.B.L. Int 5 00	0⅛	100⅜	100⅝	11/10	8⅜	8.40
Banco di Roma 5¼ 92	0	99⅝	99⅞	24/8	7.88	8.02
BankAmerica O/S 5¼ 96	0⅛	99⅞	100⅛	28/8	8.01	8.01
Bank of Montreal 5 96	0⅛	100½	100¾	29/7	8¾	8.70
Bankers Trust 5 2000	0	99⅛	99⅜	11/6	8.31	8.36
Bankers Trust 5¼ 96	0⅛	100⅛	100⅜	13/8	8.50	8.54
B.F.C.E. 5¼ 90	0⅛	100⅜	100⅝	13/8	10.00	10.01
B.N.P. 5¼ 95 (July)	0¼	100⅛	100⅜	22/7	9⅛	9.15
C.C.F. 5⅜ 97	0	99⅝	99⅞	23/8	10⅜	10.05
Chase Man'tn 5¼ 2009	0⅛	99⅞	100⅛	5/6	9.00	9.00
Citicorp O/S 5¼ 98 Sep	0⅛	99¾	100	19/12	11.18	11.20
Credit Lyonnais 5¼ 00	0⅛	100⅜	100⅞	11/10	8.06	8.02
Dresdner Fin 5¼ 89	0	99⅞	100⅛	30/8	9⅜	9.30
Ireland 5¼ 07	0	100¼	100½	30/10	8.50	8.06
Ireland 5⅛ 90	0	100½	100¾	14/8	10	9.94
Italy, Republic 5 94	0⅛	100⅛	100⅜	12/11	8⅞	8.85
Lloyds Euro 5 2004	0⅛	100¼	100½	18/10	9⅛	9.09
Midland Bank Perp 5	0¼	99½	99¾	19/8	8	8.02
Nat West Perp 5	0⅛	100⅞	101⅛	13/11	8⅛	8.08
Nat West Perp A 5¼ $	0¼	98⅝	98⅞	9/7	6¼	5.28
Nat West Perp B 5¼ $	0⅛	98¼	98½	9/8	6¼	5.28
Queensland Coal 5¼ 00	0⅛	100⅛	100⅜	19/11	9	8.94
Roy Bk Scot 5¼ 2005 £	0	99	99¼	2/8	12.81	12.98
Sweden Perp 5¼	0⅛	100⅛	100⅜	9/7	9.44	9.41
Tokai 5¼ 99	0⅛	100⅜	100⅝	12/8	8.94	8.86

Average price change On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1063.64	107⅜	108⅜	+0⅜	−1.21
Fanuc 3¾ 90	1/84	7032.3	144⅞	145⅝	−3¼	32.36
Fujitsu 3 00	5/84	1320.9	93½	94⅛	−0⅝	77.10
Kumagai Gumi 3½ 2000	3/85	600	124	125	+4	8.17
Marui 3½ 99	7/84	1182	185	186	+0¼	2.03
Mitsubishi Elec 2⅞ 00	3/85	422	94⅝	95⅝	−0⅝	−1.31
Murata 3½ 99	2/84	2351.2	90⅛	91⅝	−0⅞	22.42
Murata 3⅝ 2000	7/84	2398	80⅛	80⅝	−0⅜	24.31
Nippon Elec 2⅝ 2000	1/85	1295	82⅛	83½	−1⅛	−5.06
Nippon Oil Co 3 2000	5/85	928	107	108	+2½	3.36
Nippon Oil Co 3¼ 99	3/84	1052	97⅝	98⅝	+2⅜	17.53
Oki Elec Ind 3½ 99	10/84	805	90⅛	91⅛	−0¼	28.58
Orient Leasing 5¼ 99	6/83	2680	113	114¼	+0⅞	−1.25
Sekisui House 3 99	8/84	812	118¾	119¾	+2⅜	5.00
Sony Corp 2 2000	5/85	4578	97¼	98¼	−1⅛	−1.46
Sumitomo Corp 2⅞ 99	5/84	893	124⅛	125⅛	+2⅜	7.38
Taiyo Yuden 3¼ 2000	3/85	1078	88½	89¼	−0⅞	−0.79
Takeda Riken 3½ 2000	10/84	7085	81	83	−0¼	38.38
Tokyo Sanyo Elec 3½ 99	12/84	772	93	94	−1¼	[illegible]
Toshiba Ceramics 3 2000	4/85	1734.2	76¾	77¾	−3½	[illegible]
Nippon Oil Co 2⅝ 92 SF	3/84	1052	105½	106	0	[illegible]
Nippon Shinpan Co 2 92 SF	3/84	807	104½	105	−0⅜	[illegible]
Asics 5 92 DM	10/83	580	103¾	105	−0¼	[illegible]
Sumi Realty 6¼ 92 DM	2/83	338	†317½	318½	+11¾	1.51

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week – Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date – Date next coupon becomes effective. Spread – Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn. – current coupon. Cr. yld – current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cov. date – First date for conversion into shares. Cov. price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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The Morgan Bank

INTL. COMPANIES & FINANCE

Malaysia eases foreign equity rules

BY WONG SULONG IN KUALA LUMPUR

THE Malaysian Government, which has expressed considarable concern over the sluggish growth in private sector investment, yesterday announced wide-ranging foreign equity rules that ara expected to go a long way in overcoming objections to its New Economic Policy (NEP).

The new rules link the level of equity that a foreign partner can hold in a Malaysian venture with the axport level of the project. In announcing the measures Mr Daim Zainuddin, the Finence Minister, said foreign investors will be allowed to retain full ownarship of ventures if the projects are 100 per cent export oricated.

They can hold 80 per cent of the eqnity if tha project is 80 per cent export oriented, end between 51 and 80 per cant of the equity if 51 to 80 per cent of the goods produced are sold overseas. More significantly, foreigners can retain 51 per cent of the equity if the export content is below 50 per cent, but above 20 per cent.

It is only when the export content is below 20 per cant that the foreign equity allowed is restricted to 30 per cent, the level currantly allowed for foreign investors under the NEP.

Foreign businessmen and govarnments, particularly tha U.S. Administration, have told Mr Daim and other Malaysian political leaders that the 30 per cent aquity limit remains the main hindrance to new investment in Malaysia.

In bending the NEP - the Malaysian Government has put at risk its popularity among the politically dominant indigenous Maleys in order to take recognition of the more competitive economic environment.

The new investment rules reinforce the view that the target of 30 per cent Malay ownership of the Malaysien corporate sector is unlikely to be met by 1990 (it is now 18 per cent), and future increases in the Malay stake would come mainly from the Government's privatisation programme.

The relaxation of foreign equity participation rulas forms part of a range of incentives that will come with the Malaysian Industrial Masterplan, which will be unveiled next month by Dr Mahathir Mohammad, tha Prima Minister.

Mr Daim, who was a leading Malaysian entrepreneur before joining the Cabinet last July, said tha government gave a bigb priority to high technology ventures, and these would be allowed to be 51 per cent foreign owned regardless of their export content. However, for ventures involving nonrenewable natural resources, such as minerels, foreign ownership will continue to be restricted to 30 per cent.

Mr Daim also announced that investors whose applications to set up projects have been rejected could now appeal to the Minister of Trade and Industry for a final decision if investment in the project would be more than US$5m.

"We hopa the new equity rules will edd to investors' confidence in Malaysia, and with increased investments, I believe our economic development will grow at a faster rate," be said.

Tha British High Commission said that a survey it made recently showed that UK investments in Malaysia totalled, conservatively, more than 5bn ringgitt (US$2bn), and Britain was the second biggest investor in Malaysia after Singapore.

Short-life airline plan for Perth

BY KEITH WHEATLEY IN PERTH

THE RELATIVE shortage of airlina seats into Perth has prompted a West Australian finance house to plan a short-life airline which would cater for the massive influx of tourists expected for the America's Cup during 1986-87.

Barrack House Group intends to offer a Laker-style no-frills service on routes from Singapore end New Zealand. A Perth to Auckland flight is projected to cost some £320 and Perth to Singapora around £260. These fares are about 30 per cent lower than tha cheapest scheduled fare at that time of year.

Mr Denis Morgan, its chairman, said: "It will be e no-frills airline offering maximum convenience at a minimum cost."

Mr Horgan, e West Australian entrepreneur, somewhat in the mould of Mr Alan Bond, has secured backing from the stata government and the West Australia Tourism Commission for tha project. However, Qantas, Australia's state airline, is certain to oppose the scheme. Other attempts to operata regular charter services into Perth have floundered on its defensiva policies.

With tha routes into Australia currently among the most heavily protected in the world and the West Australia Government laading an internal movement for daregulation of the industry, the latest plans could have a long-term significance.

Negotiations are in progress to lease e Boeing 747 for the four months needed.

Mr Horgan's background is in minerals and finance. He also produces, as e high-level bobby, Australia's most expensive red wine at his Leeuwin Estate vineyard in the south-west of the state.

Bombay SE may limit forward trading

THE BOMBAY Stock Exchange may ask brokers to cut outstanding business volume in forward trading by 10 per cent in an effort to curb an excess of speculative activity, according to Mr M. R. Mayya, its executive director, Reuter reports from Bombay.

The proposed stcp follows e meeting of stock exchange chiefs in Delhi last week where various alternatives were discussed to curb a flurry of buying which has doubled share prices in the last five months.

Attempts to rescue Pacific Banking fail

BY SAMUEL SENOREN IN MANILA

THE DECISION last Friday by the Philippine monetary enthorities to close Pacific Banking Corporation, a financially troubled commercial bank, followed the failure of a series of attempts to seek outside capital.

In a terse weekend announcement, the monetary board of the central bank said the continued operation of Pacific would adversely affect its depositors and creditors. A number of attempts to revitalise the bank had failed to yield pesitive results, it added.

Pacific reported end-1984 assets of 4bn pesos ($216.5m) and deposits of 2.3bn pesos, but the bank is heavily indebted to the central bank, which had provided emergency edvances estimated at between 2.3bn and 3.4bn pesos.

The central bank funding was used to service deposit withdrawals end stem a run on the bank early this year. Pacific's troubles worsened wben reports emerged early this year that Bank of Hawaii, which bad wanted to buy a 28 per cent stake, had called the deal off.

Bank of Hawaii did not explain the reason for its decision, bnt bankers said the prospective partner bad discovered unusual bookkeeping entries in Pacific's records. They said the bank was believed to have been reporting profits continuously for the past four years wben it should bave been registering losses.

At the insance of monetary officials, another local commercial bank, Consolidated Bank and Trust, was asked to look at the possibility of absorbing Pacific.

Consolidated Bank did so, but offered terms that were not acceptable to the central bank. Consolidated wanted Pacific's books cleared of all bad debts, which would be charged against central bank's advances. Asida from the write-offs, Consolidated also wanted the 36 per cent penalty rates on the advancesh to be absolved. The offer was rejected outright.

Pacific is the third major bank failure in the Philippines this year. Banco Filipino Savings and Mortgage Bank and the government-owned Philippine Veterans Bank are already in liquidation. Since last year 16 other small banks, mostly thrift instiutions, have been closed by the monetary authorities.

TECHNOLOGY

EDITED BY ALAN CANE

New factory rules West must learn

IBM believes only computer integrated manufacturing can counter low cost competition reports Geoffrey Charlish

SIR EDWIN NIXON, chairman of IBM United Kingdom, had a warning for 200 executives at a recent conference on manufacturing technology. "We cannot afford to play cricket if the rest of the world is learning the rules of karate," he said, in an attempt to alert them yet again to the seriousness of the low-cost manufacturing challenge from the Far East.

Mr Nixon spelt it out: "If we continue to play under the old rules, we will have no chance of winning."

The conference was about CIM, or computer integrated manufacturing. CIM is a concept which wipes out the "old rules" under which design and manufacture takes place in self-contained areas like sales order input, product design, engineering, testing, planning, stores, materials handling, production lines, packaging and dispatch.

Integrated manufacturing is information-based. Starting with computer-aided design and sales order computer systems, and embracing production equipment computer control and robotics, a complete database (store of information) about a manufacturing company's activities is built up.

The theory is that if everyone (and every machine) always knows exactly what is going on, the business can be set up to achieve the best product quality while satisfying customer demands on delivery and price.

Key to industrial survival: An IBM Scara robot at work

Sir Edwin Nixon: Threat from East

Above all, manufacturing becomes flexible, ensuring that a new product can be brought to market at maximum speed and that manufacture can be switched easily from one product to another.

"Data," said Dr John Pendlebury of Coopers and Lybrand Associates, "has become a competitive weapon."

The Bournemouth conference, which IBM plans to hold annually, might have been used by the corporation merely to promote its own products. That temptation was admirably resisted.

Instead—a rare treat—IBM revealed what was going on at some of its own sites where, clearly, it has been taking its own medicine.

At the Lexington, Kentucky, typewriter plant for example, $350m invested in integration and robotics, coupled with product design for manufacture, has changed the cost mix of materials, labour and overheads from 48:10:42 to 77:8:15.

IBM industry specialist Mr Don Ralston said that it now takes half an hour to build a machine instead of half a day. There was a three-to-one reduction in the number of parts, four to one in man hours, and nine to one in the number of engineering changes needed.

Mr Clark Preston of the Austin, Texas plant, thought that the low-wage Far East manufacturing challenge would not go away but merely move from Japan, through Taiwan, Singapore and Hong Kong into mainland China. Present wage costs and overheads in Japan were \$18/hr, up to \$7.5/hr in other areas and 22 cents in China. "China will be the challenge," said Mr Preston.

He saw information-controlled manufacturing in the West as "one of the big opportunities left to us—in industry and the only way to challenge low labour rates." He refuses to believe that the U.S. and Europe will soon contain only service industries.

At Austin, IBM makes the Displaywriter, a word-processing system, which had to be re-designed for automated manufacture. Today, there are no screws in it, no adjustments to be made, no logotypes to stick on. Robots assemble the gearbox, lead screw, plateo, and can even take the kinks out of flat cable before plugging it in at both ends.

There are 77 robots handling components and assemblies. These range from ASEA robots that lift standardised component packages from pallets on to conveyors, to assembly by three IBM overhead gantry robots to others that carry out testing, laser engraving, boxing, lifting on to pallets and stretch wrapping.

Only a handful of people look after the system, which IBM calls ALPS (automated logistics and production system). The computing power is divided into three hierarchies. At the top is an overall or area control, driven by IBM's Copics production planning / control software and able to provide quality data for management.

At the next level are cells handling materials distribution, the assembly robots, the conveyors, test and re-work, laser engraving and packaging. Within the cells are specific activity stations such as robots with individual tasks.

Using the system, IBM has reduced direct man-hours by 32 per cent and indirect man hours by eight per cent.

At Bournemouth, IBM gave a simple CIM demonstration by showing what happens when a customer demands a variant of a product, in this case an extra cog in a gearbox to reverse the motion.

From the customer order, the gearbox was quickly modified on a computer aided design screen, the bill of materials and other schedules updated via the Copics system, robot production and loading checked, robot motions and clearances verified on a personal computer robot controller, and the product assembled by the robot. It was all over in a matter of minutes.

How to survive the transition from film to videotape

Video & Film

BY JOHN CHITTOCK

FOR ANY FILM producer requiring ten 16mm copies of his film, a typical laboratory cost would be £1,500. Ten videocassette copies of the same film would cost £100 or less. Over the last few years, comparisons such as this have fuelled the controversy of film versus videotape—a debate characterised more by emotional allegiances than a clear assessment of facts.

The debate might have warmed up two weeks ago when the annual British Film and Video Festival opened in Bristol. This year, video entries soared by 63 per cent to 286 against an 8 per cent drop to 131 on film.

Happily, however, many people in the industry now recognise that video will inevitably dominate film, but that each has its own virtues and film is still unchallenged for many specific tasks. For the decision-makers, appreciating the differences has become crucial in avoiding investment disasters. In the learning of such differences, however, there have been casualties—especially in businesses based too heavily on film.

> 'There have been casualties in businesses based too heavily on film'

The most dramatic in the UK three months ago was the closure of Humphries Film Laboratories in London by its parent group BET. The most recent has been the liquidation of British Films, an old-established business that supplied mobile film projection vans to overseas clients—especially in Third World countries. Their film and video production division, however, will survive under changed ownership.

Film laboratories in particular have not been enjoying a comfortable time. Where once an order for 100 16 mm prints could earn them £10,000 or more, many clients today may order only two or three 16 mm prints with the balance of copies on inexpensive videocassettes, supplied perhaps by a specialist video company.

It took some film laboratories dangerously long to extend their wet, photo-chemical business into electronics—and into videocassette duplicating in particular. But in the process, many have added ingenious services designed to bring together the best of film and video technologies.

The simplest and most obvious of these is the provision of a video rushes service. A film director can now have a videocassette of the day's shooting, quickly transferred from the processed film negative (by electronic reversal) and view it on location without the need for mobile projection facilities.

The more enterprising film laboratories have wasted no time in adding other services—such as tape-to-film transfer with electronic enhancement to yield projection quality film prints, and post-production services which allow editing on film (more convenient and cheaper than video) but final "assembly" on video; and—most recent of all—A & B roll telecine transfer on to video.

The latter, about to be introduced by Universal Film & Video Laboratory, allows a producer to shoot on film and assemble the edited originals on two separate rolls — successive shots alternating between A and B rolls with black spacer in between. Normally, each roll is printed successively on to the one film, allowing lap dissolves, superimpositions and other effects; but to obtain a video copy it is first necessary to produce a combined film print from the A & B rolls. Universal are now doing this in a direct film-to-tape transfer from A & B rolls, eliminating one generation of quality loss.

The integration of film and video technologies at this end of the industry has now become very complex. For the traditional film laboratory business, which relied on volume for profitability, it could yield a dilemma in planning policy.

Small specialist video facilities houses now offer bespoke services on high technology equipment, handling anything from computer graphics — as used for Channel Four's logo — to special effects like the Rank Xerox TV commercial with a talking head on every duplicated sheet of paper; all very expensive and far-removed from the production line economics of the conventional film laboratory.

In trying to cope with these changes there could be a danger that the traditional film laboratory business will get trapped in the middle — trying to maintain a volume base, but needing to challenge the small and highly specialised facilities companies.

The dilemma is now easier to resolve for the production companies, which can hire in equipment and facilities to switch from one medium to another as required, avoiding the huge capital burdens borne by the facilities companies. In consequence, most producers outside the commercial cinema happily work in either video or film as the circumstances dictate.

The factors in choosing either medium are many. One is the method of distribution: for example, video is not ideal for large screen projection. Nonetheless, the need for very sophisticated special effects could favour origination on video. But editing changes to a video original are more expensive to implement once the master has been completed.

In some cases, however, the low cost of videocassette copies may make a project practicable where on film it would never have been considered—as for example mailing video copies to major shareholders when fighting a takeover bid.

> 'Many problems remain for those trying to cope with the transition to video'

Although recognition of such distinctions between the two media is now widely accepted throughout the industry, many strategic problems remain unsolved for those trying to cope with the transition to video. Their dilemma revolves around the conflicting needs of a traditional business based largely on craft and the high capital demands of one built on rapidly developing technology.

Many of the film processing laboratories are first in line, having to decide where the future should be allowed to take them. But others in the facilities business—film or video — will not escape the march of progress and the burden of new technology forever making past investments obsolescent. Only the programme makers can feel secure, requiring at most a telephone and talent to survive and faced with a market ready to consume almost anything that moves on a screen as long as the price is right.

Cheaper electronic directory

AN ELECTRONIC telephone directory which dials numbers automatically has been developed by the Swiss company Hahimat.

Its Hahimat HT90, at around £700, is a cheaper alternative to the intelligent telephones with automated features now being marketed.

The 16K version, for example, can store some 600 names and addresses. They can be called up on a small liquid-crystal screen by keying in the first initial of the party to be contacted. All subscribers with this initial letter are shown on the screen, eight at a time. The user scrolls through and touches a key to select the subscriber of choice.

The device automatically dials the subscriber while displaying on the screen the full name, address and other items of business information.

Lifting the lid on a chip problem

REPLACING electro-mechanical relays with microprocessors is rarely as simple as manufacturers are encouraged to believe. When Soretex, a leading French lift manufacturer, switched to microprocessor controls, for example, it discovered that the connectors used — much smaller than those on the older electro-mechanical equipment — could not accept the heavy gauge PVC-insulated wire that had been standard previously.

The answer was wire insulated with "Tefzel" a fluoropolymer made by Du Pont, which resulted in a wire half as thick as the PVC equivalent.

Soretex was able to shrink the width of its lift control cabinet from 700 mm to 500 mm using the combination of microprocessors and the Tefzel wrapped wire.

UK COMPANY NEWS

Kennedy Brookes doubled at £1.7m

DOUBLED INTERIM profits and a £3.45m acquisition are announced by Kennedy Brookes, the restaurant and leisure group.

For the six months ended April 28 1985 turnover expanded from £13.3m to £16.8m from which taxable profits of £1.68m were achieved, against a previous £860,000.

The directors say that the second half of the year has begun well in all group divisions, especially outside catering which is now in its best trading period.

Both turnover and pre-tax profits were more than doubled for the 1983-84 12 months to £27.28m (£12.5m) and £2.26m (£1.1m) respectively. The directors said then that progress was expected to accelerate in the current year as the benefits of the group's investment in Wheeler's Restaurants develops.

During the first half Wheeler's, Mario & Franco and the Amis du Vin Group all showed solid improvement, the directors state. The Brookes and the Maxim's de Paris outside catering companies are expected to grow substantially. The Henley Festival of Music, at which the company is the caterer, is heavily booked and the catering should make a contribution to profits for the first time in the current period.

The directors point out that investments in Maxim's are still showing a loss, but the encouraging progress in the first six months "has at last shown the potential of which both restaurants and the private catering company are capable."

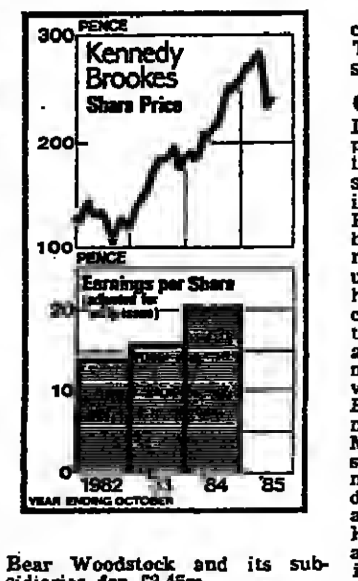
The group's investment in the Trocadero restaurants had a very poor start and although losses are diminishing, the directors expect this investment to be a problem for the remainder of the year.

Commenting on the future they say they hope to begin the development of the London Pavilion at the beginning of the 1985-86 year. The company is currently at an advanced stage with leading property developers to do this on a joint basis, while a major leisure company has agreed in principle to become the tenant for a large part of the building.

After mid-term tax of £335,000, against £157,000, earnings attributable came through at £1.34m (£703,000) or 10.5p (8.1p) per share. The interim dividend is increased from 0.525p to 0.757p — last year's final payment was 0.875p. Also proposed is a one-for-five scrip issue.

As announced in May the group made a £9.7m cash call by way of an underwritten rights issue of up to £10m 6¼ per cent convertible unsecured loan stock 2002. The directors said the company believed in expanding its hotel interests and were looking to acquire further hotels as and when the opportunities arose.

Further to this statement, the company has agreed to purchase



Bear Woodstock and its subsidiaries for £3.45m.

This will strengthen the group's investment in the character hotel market, the directors explain, by bringing into the group the well-known Bear Hotel in Woodstock and its associated conference facilities within Blenheim Palace; the Wroxton House Hotel near Banbury: the Three Horseshoes in Rugby, and the Bowler Hat Hotel overlooking the Wirral Peninsular.

The consideration will be £2m cash, with the balance in shares. These will not be issued for some three months, it is stated.

● comment

It is not every small quoted company that can absorb nearly £1m in losses from subsidiaries and still come up with a 100 per cent increase in pre-tax profits. The Kennedy Brookes formula of buying up scarcely profitable restaurant chains and tightening up management has proved a hit in each of its three main chains. There is every sign that the same methods are being applied successfully to its up-market "character" hotels, which with the addition of the Bear in Woodstock could be making £500,000 by next year. Meanwhile, the dismally slow start at the Trocadero, where much of the space is still empty, does not seem to be picking up, and it may be some time before Kennedy Brookes starts to show a profit on its 51 per cent stake in the complex. The other loss-making area, Maxims de Paris, is now responding well to recent marketing efforts and should break even for the year. Early signs from the London Pavilion leisure complex are good, and it looks as though lettings here will raise few problems. This, of course, will not affect profits for the present year, which should be at least £3¾m. The shares, which ended the day up 5p at 235p, are on a modest p/e rating of 11.

Recovery at SGB continues in first half

FOLLOWING A recovery last year, when profits came back from £7.24m to £11m for the 12 months, first half figures to end March 1985 show an increase from £3.47m to £4.09m for SGB Group, which supplies and hires equipment and services to the civil engineering, building and manufacturing industries.

The directors say there was a modest improvement overall in the company's scaffolding results for the six months, but the major contribution is still coming from other activities, mostly in the UK.

The rising trend in the UK, they state, has recently been checked, due to the bad spring weather, although it is hoped that results will improve again during the remainder of the summer.

Overseas losses have been contained, compared with last year.

Basic earnings per share are given as 5.4p (4.8p) and 5.3p (4.5p) fully diluted, while the interim dividend is unchanged at 2.3p—last year's final payment was 4p.

In the annual review last January the directors said that while UK profits amounted to £14m, there was an overall loss overseas largely due to Australia and North America, and to lower Middle East demand for products. They added, however, that the current year had started well and that profits overall should continue to improve.

Six months' turnover advanced from £85.21m to £89.99m and the taxable figure was after interest charges of £2.32m, compared with £2.12m. Tax was £1.83m (£1.54m) and minorities took £8,000 (£4,000).

● comment

In retrospect, it is clear that hopes that SGB Group could maintain last year's rapid rate of recovery were always very optimistic. There was just too much to be done turning around the loss-making operations in Australia and the U.S. Now bad weather in the UK has firmly scotched any chance of the company reaching the £15m pre-tax which some City analysts had predicted and leaves it with a fair amount of ground to make up in the fourth quarter to make, say, £12.5m. The broad outlines of the company's strategy seem correct — reorganising the overseas operations and trying to hold the line in the tough UK scaffolding market on the one hand, and pushing ahead with the successful diversifications, especially HSS Hire Group, on the other. The trouble is that it is still not clear how the company will regain its previous record pre-tax profit of £16.4m made in 1980, let alone move beyond it. At 142p, down 4p, the shares on a prospective multiple of about seven are not expensive (35 per cent tax). But there are more promising, and less accident-prone, investments in this sector.

F. H. Lloyd rises 45% despite depressed markets

THE foundries, steel producing and engineering group F. H. Lloyd Holdings has performed very creditably in the year ended March 30 1985, according to the chairman Mr Lewis Robertson.

He reports a 45 per cent lift to £1.42m in restated pre-tax profit, and a doubling of shareholders' dividend to 2.5p net. Bank borrowings show a further reduction from £4.8m to £1.7m and gearing is a healthy 18 per cent. Prospects are better now that the main elements of the restructuring are complete.

The chairman says the year was characterised by continuing depressed conditions in most of the group's markets, by the miners' strike and by considerable adverse fluctuations in steel scrap prices, which affect significantly some substantial group operations.

Turnover in the year fell from £68m to £52.44m, but operating profit showed an increase to £2.07m from £1.92m. Severance costs fell substantially from £319,000 to £59,000 and, accompanied by a reduction in interest charges, gave a pre-tax balance of £1.42m (£977,000).

Mr Robertson says in the last three years six operating businesses — among them the largest foundry, a steel mill and a steel re-rolling plant — have been closed or disposed of. Substantial cash resources have, therefore, been made available, and will be increased by the recent sale of Brown Lenox.

The chairman concedes that these changes are not accomplished without cost, but tells shareholders that the group is sounder, less exposed to unfavourable markets, and more positively placed for development than at any recent time.

The initial outlines of new development have been sketched in, for example in marine and offshore engineering and in specialist services contracting. Everybody is working to achieve the benefits and he expects some of these will be reflected in increasing profits and dividends for the current year.

A split of turnover and operating profit shows foundries £19.27m (£21.09m) and £833,000 (£714,000) respectively, steel £17.43m (£26m) and £589,000 (£368,000), engineering and services £15.73m (£18.98m) and £649,000 (£834,000).

The two steel foundries operated profitably and showed a worthwhile improvement in a difficult year, says Mr Robertson. Reduced offtake by the mining supply industry was partly offset by sales efforts in export and defence markets.

Mr Lewis Robertson

In steel production only the Wednesbury mill, producing continuously cast billet, remains, and it did well to show a useful operating profit. Morleys, the steel stockholder, was sold during the year. Prior to its disposal a substantial stock deficiency was revealed, Mr Robertson says. "It appears that this may have existed for a number of years — perhaps indeed before the acquisition of the company in 1976."

Results in engineering and services were uneven. The starter ring and diesel companies again made strong contributions; on the other hand the state of the international construction industry in the case of Brown Lenox, and that of the marine construction industry in the case of Welin Davit and Engineering resulted in poor demand and subdued performance.

After vigorous action Rollstud, which was acquired in April 1984, made an improvement and has traded profitably in the current year. The group's legal advice is that it has a strong case against one of the vendors for breach of warranty. Half of the purchase price is currently withheld. This is now the subject of litigation.

The group's interest in the energy sector and its geographical spread have since the year-end been enhanced by the investment in Seaboard Wellhead Inc of Houston, which supplies the U.S. oil industry.

There is a tax charge this time of £554,000 and minority interests of £108,000 (£113,000), leaving the net profit at £759,000 (£864,000) for earnings of 3.2p (3.6p) per share. There are extraordinary credits of £532,000 (debits £5.83m) and the dividend absorbs £602,000.

In his statement Mr Robertson makes reference to the 22.85 per cent stake in Lloyd built up by Suter, and says the directors believe it is Suter's ambition to acquire control.

He says it has been suggested in some quarters that Suter may contemplate a rationalisation of the steel foundry industry based on the Lloyd and Suter foundries and perhaps those of the Weir Group.

"The foundries of your group are, by industry standards, remarkably — perhaps uniquely — profitable: the Suter foundry is smaller and less profitable, and the relevant Weir foundries were reported to have operated at a loss in 1984. "Your directors do not see the sense of diluting the effectiveness of the Lloyd foundries by such a grouping," the chairman states.

● comment

Rationalisation has at last borne fruit for F. H. Lloyd's foundry and steel divisions. The foundries have shown a 16 per cent growth in profits, and with the coal strike over further modest growth is expected this year. Steel saw a remarkable 60 per cent profits upsurge, and the healthy state of the order book so far this year and the disposal of the loss-making stockholding operation should bring another useful contribution. The biggest disappointment, as foreseen at the interim stage, came from the division with the biggest potential: engineering and services. Welin and Lenox were flat and weak offshore demand caused Rollstud to turn in a loss. F. H. Lloyd, undeterred by the setback, has already acquired another energy services company, Seaboard Wellhead of Texas, and is looking for further expansion in the sector. The group is in better shape now than it has been for years, but no one is fooling themselves that this is why the shares, up 1½p yesterday at 64p, are trading on an historic p/e of 20; all eyes are on Suter's 22.85 per cent shareholding in the group and the likelihood of a bid.

Action group calls for Chloride appointment

THE Chloride Shareholders' Action Group has nominated Dr Maurice Gillibrand for appointment to the board.

Dr Gillibrand says: "Shareholders should demand to know who is accountable for the failure in the U.S. and demonstrate their own authority by supporting the CSAG nomination."

He also says that the CSAG is dedicated to the restoration of Chloride as a prestigious company and calls on shareholders to make every effort to attend the AGM on July 26, to insist that the board reconsiders its rejection of the proposal to form a shareholders' association dedicated to this aim.

Chloride has not paid a dividend on the ordinary shares since 1980. It passes the second payment on the preference dividend this year. A major cause for a reduction in profit attributable to shareholders from £3.2m in 1984 to £1m in 1985 was the technical failure of the "Torque Starter" battery in the U.S.

Warranty claims of £3.3m and other losses wiped out the previous year's profit in the U.S. of £5.1m.

Dr Gillibrand was formerly a director of research at Chloride —not a board appointment.

Vinten falls 40% to £2.5m after aircraft provision

THE NEED to make an unexpected £814,000 provision on an aircraft contract has left 1984-85 profits of the Vinten Group well below the directors' expectations.

At the pre-tax level they plunged from £4.16m to £2.49m, a fall of 40 per cent, having been £868,000 lower after the first six months.

In his interim report last December Mr Michael Brown, the chairman, was looking for a pick up in the second half although he forecast that trading profits were unlikely to reach 1983-84's level of £4.03m.

In the event they fell to £2.64m over the 12 months to March 31 1985.

However, despite a slow start to the current year the directors are confident that by the end of the period the group will be well on the way towards resuming its previous pattern of growth.

And they are raising the dividend for the past year, to March 31 1985, from 2.8p to the forecast 3.15p with a final of 2.1p (1.89p). It is pointed out that the dividend is well covered and that the group's balance sheet remains strong. Earnings amounted to 7.3p (13.9p) per 20p share.

Vinten designs, manufactures and markets military systems, broadcast systems, electro-optical components, computer systems and scientific instrumentation. For the past year the group raised its turnover by £6.44m to £29.39m.

Mr Brown explains that although losses in two companies at an early stage of their development were somewhat larger than expected and export defence contract negotiations were even more protracted, there was the need to provide against a loss now anticipated to be incurred on a contract, entered pre-acquisition by SIG Daval, for a high performance video recorder for the Tornado aircraft.

He says but for the provision the group's results would have been at the lower end of internal expectations.

Interest charges took £150,000 (added £129,000) but tax fell from £1.49m to £960,000. Net profits came through at £1.53m, compared with £2.66m.

Although the group's advance has been checked this year, Mr Brown says the development contract problems have been identified and he believes the loss provision to be adequate.

● comment

Vinten's £814,000 provision on its military systems activities has caused the worst hiccup since 1979-80 in its otherwise impressive record of profits growth, but even without it profits would have been well to the bottom end of forecasts. Vinten believes it is over the worst: the high-performance video recorder which cost it so dear was a technology it badly needed, and could now make a significant contribution to profits. The military side, however, has other problems; it is a lumpy business at the best of times and Vinten's business is highly geared towards the oil-producing nations where cash shortages are inevitably taking their toll. The more optimistic noises are coming from the electro-optics activities and the end of this year is likely to see this sector overtake military systems as the group's most important in turnover terms. Vinten is highly export orientated and this year's profits are therefore vulnerable to the strength of the pound. The shares were up 7p yesterday on a surge of optimism at 112p; if Vinten was to get back on course with £3.5m, this would have them on a multiple of about 10.3.

Wm Mowat board voted out

BY DAVID GOODHART

THE CHAIRMAN and board of a small property company, William Mowat, were yesterday voted out of office by shareholders by the overwhelming margin of 580,000 to 140,000 at an emergency general meeting.

The company was one of the fastest growing shares on the market in 1973 but recently has become—in effect—a shell with a market capitalisation of £250,000 and a nominal capital of £1m. It has been trading on the over the counter market with a share price of 25p.

The leader of the dissident shareholders, Mr Brian Dunlop, has now become chairman replacing Mr William Lomax. Mr Dunlop runs Peerglow Developments—another property company—based in Hertford.

The unseated directors are Mr David Britton, Mr William Starkey and Mr Richard Holland. They are replaced by Mr Peter Lawson, Mr Peter Vogel and Mr Tony Prior. Mr Robin Myddleton is expected to become the new company secretary.

The defending board yesterday argued that the dissidents had no new ideas for the company and that their own expansionary plans had not had enough time to show results.

Mr Dunlop said: "The company needs a far firmer base than the previous board was creating, they were trying to run before they could walk."

The new board are expected soon to announce a rights issue —underwritten by the directors —and in the longer run start to acquire other similar companies. Mowat may eventually merge with Mr Dunlop's Peerglow company. A reconvened AGM will take place on July 22.

UK COMPANY NEWS

AIB steps up legal action over collapsed offshoot

BY DAVID DAVIN POWER IN DUBLIN

WHAT PROMISES to be the stormiest annual general meeting in the history of Allied Irish Banks (AIB) takes place today against a background of growing concern over loses arising from the collapse of a subsidiary, the Insurance Corpration of Ireland.

Last March the Irish Government took over Insurance Corporation from Allied as it became clear that the losses uncovered in the insurance company were threatening the parent group group which is capitalised at I£427m.

Allied, Ireland's largest banking group, has issued proceedings against the Industrial Credit Company, the state-owned merchant bank which was involved in Allied's takeover of the insurance company.

Proceedings were issued late last week. The credit company said it will be defending them vigorously. A spokesman said yesterday that the company had taken preliminary legal advice and was satisfied it had no responsibility for any losses incurred by Allied Irish Banks.

Critics of AIB point to the fact that substantial evidence of the state of Insurance Corporation was available to the bank at the time of purchase.

Allied is already suing Ernst Whinney, the auditors of Insurance Corporation, for their role in the takeover which cost the bank I£90m and could cost the Irish taxpayer up to I£200m according to weekend reports.

Allied Irish Banks confirmed yesterday that group chairman Mr Niall Crowley will be anouncing the legal moves at today's OGM of the bank.

It is understood that the action centres on Industrial Credit Company's role in the negotiations which led to the bank increasing its offer for the Insurance Corporation of Ireland after an initial rejection in 1983. AIB sources maintain that the first offer was raised following the provision of additional information by a branch of the Industrial Credit Company.

Irish Industry Department sources were yesterday refusing to comment on weekend reports that Dr FitzGerald's Cabinet had been told that the rescue bill for the Insurance Corporation of Ireland could now reach I£200m, substantially more than original estimates.

Allied Irish Banks acquired control of the insurance group in 1983 at a total cost of I£86m. It subsequently emerged that the insurance group's losses came to I£65m in 1984 alone and that the company was virtually insolvent at the time of purchase.

The collapse wiped 44p off the share price and cost the bank at least I£90m in write-off costs. Today's meeting wil be the first opportunity for shareholders to question the bank's directors about their conduct of the affair and their purchase of the ailing insurance company.

Already a prominent government politician, Senator Sean O'Leary, has called for . resignation of Mr Crowley, i' the executives responsible for the debacle go unpunished. has maintained that "no heads will roll" and is forecasting profits virtually unchanged at I£84m for the year just ended.

Fraser ups Debenhams holding

House of Fraser, the stores group, has increased to 10.09 per cent its stake in Debenhams, its High Street rival which is fighting a £459m takeover bid from Burton and Habitat-Mothercare.

House of Fraser, recently acquired by the Egyptian Al-Fayed family is keen to have a say in the fate of Debenhams. Other large minority holdings in Debenhams have been built up by Harris Queensway the furniture and carpet retailer and Mr Gerald Ronson's Heron International.

Taylor Woodrow

The £42.3m rights issue launched last month by Taylor Woodrow has been well received by shareholders who subscribed for more than 90 per cent of the stock on offer, Hambros Bank said last night.

The issue was criticised in the City and Taylor shares fell 36p to 412p on the day of issue, offering stock at 370p, was announced. But the shares later recovered and closed yesterday at 428p, up 9p.

Cole stake purchased by Low & Bonar

By Andrew Arends

Robert Moss, the manufacturer and distributor of plastic injection mouldings, whose £5.5m contested bid for Cole Group, the plastics manufacturer lapsed on Friday, yesterday withdrew from the battle, selling its 7.5 per cent stake in Cole to Low & Bonar the Dundee-based packaging, engineering, textiles and travel group for around £480,000.

This deal gives Low & Bonar a 14.8 per cent stake in Cole, which is fending off a £6m all-share bid from Hartons Group, a USM-quoted distributor of plastic and consumer products.

However, Mr Michael Long, Low & Bonar company secretary said yesterday that the stake in Cole was a "trade investment." He said that while Cole was a company that had some similarities with Low & Bonar "we have no intention, at the moment, to launch a full bid."

He said that Low & Bonar had been building up its stake in Cole since last week.

Mr Murray McLean, chairman and chief executive of Moss said last night that when its offer closed on Friday acceptances had been received in respect of 19.6 per cent of Cole shares. Last night Cole shares closed down 2p at 216p.

When Moss launched its bid for Cole in April Cole shares immediately jumped from 53p to 175p. Mr McLean said that the present share price which values Cole at £6.45m was too high a price to pay for the company.

Danes in £2.65m deal for Howard's Euro offshoots

BY DAVID GOODHART

Howard Machinery, the troubled agricultural machinery company, announced an outline agreement yesterday for the sale of its French, German, Spanish and Italian subsidiaries to T-T Agro, a subsidiary of the Danish Thrige Titanindustrial group.

T-T Agro also said it intends to make an offer to the Receivers of Howard's UK subsidiary, Howard Rotavator, for certain fixed assets and stocks of the Norfolk-based company.

NO 14—7½/8

The Danish company will pay £2.65m for the European subsidaries (with £0.3m deferred until certain conditions relating to warranties and indemnities have ben satisfied.) The proceeds from the sale will be used to reduce Howard's bank indebtedness.

The net assets of the four European companies were £4.6m as at March 31 this year. This includes inter-group balances of £0.7m which will be repaid to Howard on completion.

Although the four subsidiaries made a pre-tax profit between them of £0.7m to the year ended October 31 1984 the first five months of this year—to March 31—saw a loss of £1.1m.

Howard's board said it considers the proposals the most realistic option available, and it is recommending the shareholders to support the sale. Shares were suspended last week at 7p.

T-T Agro is a leading manufacturer of agricultural machinery which exports to Scandinavia and the United Kingdom through its subsidiary Farmhand. The acquisition of the Howard companies forms part of its long-term strategy of acquiring companies in the sector.

Howard group sales have recently been seriously depressed in Europe—with the exception of Germany. Its Australian subsidiary has been in receivership since January.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Associated Newspapers, County Properties, Daily Mail and General Trust, Leisuretime International, Securiguard.

Finals:—Evans of Leeds, Intasun Leisure, R.E.A., Stirling Group.

FUTURE DATES

Interims:—

Breakmate	Aug 10
Cardiff Property	July 17
Commercial Bank of Wales	July 19
Derby Trust	July 25
Dew (George)	July 15
Lowe (Robert H.)	July 15
Macallan-Glenlivet	Sept 24
Manchester Ship Canal	Aug 12
Priest Marians	July 12
TI	Aug 8

Finals:—

Christie-Tyler	July 17
Dowty	July 24
Hicking Pentecost	July 11
Triplex	July 15
Unigroup	July 18
Watson (R. Kelvin)	July 11

COMPANY NEWS IN BRIEF

FINE ART DEVELOPMENTS has acquired a further 50 per cent interest in R. J. Hanson-Moore. The consideration has ben satisfied by the payment of R200,000 (approximately £80,000) in cash and the allotment of 200,000 Fine Art ordinary. Fine Art now has a 90 per cent interest.

THREE WATER companies are between them raising £9.5m with issues of debenture stock. Sunderland and South Shields Water Company is rising £5m with an offer of 11.8 per cent 1995-97 debentures. York Waterworks Company and West Hampshire Water Company are raising £3m and £1.5m respectively on the same terms. Dealings in all three start tomorrow 10 per cent paid, with second and final payments on July 30 in the case of Sunderland and South Shields and on August 15 in the case of the other two companies. Seymour Pierce is broker to the issues.

BARRIE INVESTMENTS AND FINANCE turned in pre-tax profits of £645,000 for the year ended March 31, 1985, against £350,000, and there is a 0.1p (nil) dividend. Profits were after interest of £92,000 (£149,000) and subject to tax of £367,000 (£17,000 credit). There was an extraordinary credit of £197,000 (nil).

GILBERT HOUSE INVESTMENTS is paying a dividend for the first time of 0.5p for the year ended March 24, 1985. Turnover of this USM concern surged from £356,000 to £1.35m, while pre-tax profits expanded from £57,000 to £196,000. After tax of £20,000 (£7,000) earnings are shown as 0.6-p (0.19p) per share.

MIDLAND MARTS says it paid £203,000 for the recent acquisition of an estate agency. Named Ivan Cawood, it made profits before tax of £48,000 in 1984 and its net assets at that year-end stood at £118,000.

Consideration was satisfied by the issue of 48,077 ordinary shares, £100,000 of unsecured loan notes 1985-88, and £63,000 cash. The shares and loan notes are being retained by the vendors.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Barrie Invs.	0.1	—	nil	0.1	nil
Batleys of Yorks	2§	Aug 28	2	2.63¶	2.5
Bulgin	nil	—	0.77	0.58	1.35
Carclo Eng	8.5	Sept 6	6	12	8.6
Gilbert House‡	0.5	Oct 1	—	0.5	—
Goring Kerr .... int	3.5	Aug 29	2.75	—	8.25
Jacksons Bourne End ...	4	—	4*	6	5*
Kennedy Brookes ... int	0.58	Jan 2	0.53	—	1.4
F. H. Lloyd	2.5	Aug 23	1.25	2.5	1.25
Memcom‡	3.5	—	3.5	3.5	3.5
SGB Group .... int	2.3	Sept 16	2.3	—	6.3
Vinten	2.1	—	1.89	3.15	2.8
Wight Collins	2.75	—	2	2.75	2

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § On capital increased by deferred share conversion.

UK COMPANY NEWS

Carclo profit expansion to £3.6m

ACTUAL results for the year ended March 31, 1985, from Carclo Engineering Group show that pre-tax profits have risen by £697,000 to £3.59m. On a pro-forma basis the growth is £1m.

Shareholders are receiving a better than forecast dividend. The final is 8.5p, against net less than 6p indicated by the directors at the halfway mark, to give a net total of 12p, compared with 8.6p.

The group operates as manufacturers and merchants of card clothing and engineering products. The directors say there is considerable potential and they plan to make the most of this by internal growth and external acquisition. They intend to keep improving earnings and to concentrate resources on the businesses that have best long term prospects and are, or can be, leaders in their fields.

The group's financial position continues to be strong, the directors point out, with borrowings net of cash at 22 per cent of shareholders' funds, as compared with 35 per cent a year ago. Net asset value has expanded from 168p to 231p per share.

Pro-forma figures are given to reflect the sale in February of a 57.35 per cent holding in the Indian Card Clothing Company through the disposal of the subsidiary Acre Street Investments. The 18.65 per cent stake in ICC owned directly by Carclo has been retained.

Adjusting the group's figures as though the sale had been effective throughout the last two financial years gives a pre-tax profit of £3.18m for 1984-85, compared with £2.18m in the previous year.

In 1984-85 the actual turnover showed a near £3m advance to £37.33m, while the operating profit was up from £3.39m to £4.08m. A breakdown of the pre-tax profit shows card clothing in the UK £1.14m (£757,000), in Continental Europe £285,000 (£181,000), and in India £779,000 up to February 8 (full year £1.21m), while wire engineering produced £1.46m (£923,000) and general engineering £378,000 (£411,000). Central administration charges came to £368,000 (£394,000) and net interest to £88,000 (£190,000).

After tax £1.44m (£1.3m) and minorities £96,000 (£103,000), the net profit comes out to £2.05m (£1.49m) for earnings of 44.9p (31.1p) actual and 34.3p (24.8p) fully diluted. There are extraordinary credits of £826,000 (£71,000).

The following figures are taken from the pro forma statement, itself based on the group results for the past two years and adjusted for the exclusion of the results attributable to the former holding in ICC, the inclusion of the dividends receivable in respect of the remaining 16.65 per cent direct holding in that company, and a reduction in interest.

Interest payable has been reduced by an amount equivalent to the interest attributable to the estimated net proceeds from the sale (some £3.5m) calculated at the average rate of interest charged to the group in respect of its bank borrowings in the respective periods.

On that basis the year's turnover was reduced to £33.67m (£29.64m) but the operating profit moved ahead to £3.4m (£2.34m). After tax £1.16m (£692,000) the net profit worked through at £2.02m (£1.49m) for earnings of 44.1p (31p) actual and 33.8p (24.8p) fully diluted.

● **comment**

Carclo has enjoyed a re-rating over the past year as investors have anticipated the effects of the company's rationalisation programme, and applauded the sale in February of the Indian operations. As Carclo itself has gone to some lengths to point out, the disposal, which depresses profits at the pre-tax level, leaves earnings unchanged due to the very high tax rate levied on Indian profits and it greatly improves the balance sheet. The strength of the UK economy last year allowed Carclo to shift to higher margin products both in the card clothing and the wire divisions, while this year seems to have started quite well, a steadying in the pace of growth may mean a less good year than last. Profits could start to climb sharply again the following year when the benefits come through from overhauling the European operations, where card clothing margins are less one-fifth of margins in the UK. This year's profits, which will have no contribution from India, may be largely unchanged at 3.6m, reflecting an underlying improvement of about 12 per cent. That would imply a fair p/e of 7¼ (on fully diluted earnings, and after 40 per cent tax) with the shares at 295p, up 12p on the day.

Goring Kerr surges to £1.25m

FOR THE six months ended March 31, 1985 Goring Kerr, a manufacturer of metal detection systems, raised its profits before tax from £943,000 to £1.25m.

And with earnings showing an improvement of 37 per cent at 11p (8.05p) the interim dividend is being stepped up from 2.75p to 3.5p net per 10p share.

During the half year the group retained its dominant position in its main markets, improved its margins with the help of local manufacture in North America and New Zealand and developed new products.

In all, the directors are confident of another successful year's trading.

For the opening six months turnover moved from £3.39m to £3.78m and generated trading profits of £1.21m, compared with £951,000. Margins advanced from 28.1 per cent to 32 per cent.

Pre-tax profits were after adding interest receivable of £36,000, against a previous charge of £8,000.

Available earnings came through at £660,000 (£483,000) after tax of £586,000 (£460,000) and minorities of £4,000 (nil).

Work has been completed on adapting the Tektamet technology to the existing product range and the resulting two advanced meal detectors incorporating additional features will be marketed shortly.

The first of these detectors enables metal to be found within products wrapped in metal foil: the second compensates automatically for the disruptive effects of passing different products through the same detector and saves the production time previously lost in re-calibrating the detector head for each product change.

The group has also developed a foreign body detector which, along with metal, will find a wide range of non-metallic contaminates, such as glass, stone and plastic.

The directors say this will have a substantial influence on the *further growth of the* group since it will be required by many manufacturers as a complementary product to their present metal detection systems. They add that more significantly, there will be demand from industries and processors for whom metal only detection systems do not provide a full solution to their quality control needs.

This new detector will begin to contribute to the group's results towards the end of the current financial year.

Second half advance lifts Batleys to £2m

Second half taxable profits of Batleys of Yorkshire, cash and carry wholesaler based in Huddersfield, advanced from £1.09m to £1.3m and lifted the full year's figure to April 27 1985 to £2m, against a previous £1.69m.

Turnover rose from £160.58m to £175.2m.

After 12 months' tax of £718,000 (£495,000) earnings are shown as 10.76p (9.98p) per share.

On capital increased by last February's deferred share conversion, there is a final ordinary dividend, unchanged at 2p, which lifts the total payment to 2.625p (2.5p). Also proposed is a one-for-four scrip issue.

Svenska Handelsbanken

US$ 100,000,000 12⅜% Notes 1989

NOTICE IS HEREBY GIVEN that pursuant to Condition 4 (b) of the Notes, US$ 1,000,000 principal amount of the Notes has been drawn for redemption on 8th August 1985, at the redemption price of 101% of the principal amount, together with accrued interest to 8th August 1985.

The serial numbers of the Notes drawn for redemption are as follows:—

186	2587	4786	6659	8185	10049	12345	13966	15825	18057
250	2723	4815	6670	8212	10084	12476	13978	15916	18261
316	2744	4952	6680	8234	10093	12567	14031	15947	18320
617	3002	5072	6746	8245	10281	12629	14114	15962	18480
740	3359	5164	6770	8299	10420	12665	14488	15979	18672
830	3380	5196	6854	8356	10453	12689	14502	16103	18887
956	3439	5520	6907	8407	10490	12771	14508	16271	18896
970	3541	5548	6934	8516	10689	12796	14569	16376	19067
1345	3724	5676	7034	8529	10784	12840	14573	16412	19148
1436	3846	5788	7118	8579	10824	13332	14661	16583	19272
1645	3878	6005	7383	8681	10855	13366	14677	16785	19284
1706	3931	6018	7628	8738	11005	13422	14687	16860	19335
1797	4004	6198	7690	9111	11016	13440	14920	16896	19344
1891	4111	6284	7773	9154	11020	13560	14963	17038	19392
1958	4115	6297	7783	9223	11239	13595	15281	17175	19431
1991	4435	6309	7908	9485	11656	13728	15420	17268	19648
1992	4550	6334	7925	9494	11760	13799	15564	17318	19735
2179	4604	6450	8035	9497	11954	13814	15628	17430	19737
2514	4648	6544	8103	9781	12153	13819	15646	17773	19843
2571	4713	6588	8107	9871	12175	13956	15647	18039	19968

On the 8th August 1985, the said redemption price will become due and payable upon each Note to be redeemed, together with accrued interest from 20th February 1985 to 8th August 1985 amounting to US$ 288.75 per US$ 5,000 Note. On and after that date, interest on the said drawn Notes will cease to accrue.

Payment of the Notes to be redeemed will be made on or after 8th August 1985 upon presentation and surrender of the said Notes, with all coupons appertaining thereto, at the office of any of the Paying Agents mentioned thereon.

Bankers Trust Company, London
Principal Paying Agent

9th July 1985

U.S. $400,000,000

The Kingdom of Belgium

Floating Rate Notes Due 2004

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from 9th July, 1985 to 9th January, 1986 the Rate of Interest on the Notes will be 8³⁄₁₆% per annum. The interest payable on the relevant Interest Payment Date, 9th January, 1986 will be U.S.$10,461·81 per U.S.$250,000 Note.

Agent Bank:
Morgan Guaranty Trust Company of New York
London

Kingdom of Sweden

U.S. $750,000,000

Undated Floating Rate Notes

In accordance with the provisions of the Notes, notice is hereby given that for the six months interest period from 9th July, 1985 to 9th January, 1986 the Undated Notes will carry an Interest Rate of 8⁷⁄₁₆% per annum.

Interest payable on 9th January, 1986 will amount to U.S.$424·86 per U.S.$10,000 Undated Note.

Morgan Guaranty Trust Company of New York
London
Agent Bank

Kingdom of Sweden

up to

U.S. $750,000,000

Four Year Floating Rate Notes

In accordance with the provisions of the Notes, notice is hereby given that for the six months interest period from 9th July, 1985 to 9th January, 1986 the Notes will carry an Interest Rate of 8% per annum.

Interest payable on 9th January, 1986 will amount to U.S.$408·89 per U.S.$10,000 Note.

Morgan Guaranty Trust Company of New York
London
Agent Bank

UK COMPANY NEWS

Acquisition behind Wight Collins increase to £1.5m

THE ACQUISITION og Biss Lancaster, public relations consultancy, counled with strong organic growth, increased turnover hy 36 per cent and pre-tax progts hy 55 per cent at Wight Collins Rntherford Scott (Holdings) for tha company's sixth year ended April 30 1985.

Turnover for the 12 months expanded from £26.62m to £36.27m while the taxable figure came out at £1.48m, compared with £954,886.

The directors say that the figures are "even more impressive" as Biss Lancaster's results are from February 21 laat. If they had been included for the full period, the directors state that group taxahle profits would bave been £1.78m.

The last months of the 1984-85 year, and the early months of the current year have seen both Wight and Biss enjoying a surge of substantial new business that positions the group, the directors say, in a strong position for the year ahead.

They add that they have every confidence that "our results in 12 months time will he outstanding hy any messnre."

After year-end tax of £7/5,929, against £330,000, earoings per 10p share are shown as 11.74p, compared with 9.75p—on a notional tax charge 12.42p (7.45p)—while the dividend is stepped up 0.75p to 2.75p.

Ordinary payments will absorh £199,801 (£128,120) leaving £551,873 (£146,788) retained.

As reported last February, Wight, which graduated from the USM to a full listing in September 1984, acquired Biss Lancaster for an initial £3.25m. Depending on profits performance, this figure could douhte, it was stated.

Mr Peter Srott, managing director of Wight, said the acquisition represented the first stage of a diversification programme to hroaden the group's interest in the communications field.

Clients gains during 1984-85 for Wight included Reckitt and Colman, Zanussi and DER, while since the year-end the company has gained Imperial Tobacco, Thomson Holidays and Danish Bacon.

Client gains for Biss, since acquisition, include Barker and Dobson, Boots and Fine Fare.

Subsidiary costs put Memcom behind

THE hroadening of Memcom International Heldings' customer hase and the development of its manufacturing subsidiary, Memcom Electronics, resulted in the group increasing its turnover hy 26 per cent from £8.01m to £7.55m in the year to April 30 1985.

After tncurring costs of £1.18m (£288,000) at Memcom Electronics, group pre-tax profits were down slightly from £1.22m to £1.11m. The dividend is unchaoged at 3.5p—the shares have been traded on the Unlisted Securities Market since February. Dividends absorh £180,000 against £170,000. Stated earoings per 10p share were down from 15.8p to 15p.

Tax was down from £513,000 to £367,000, leaving attributable profits £45,000 higher at £747,000. There were extraordinary mosts this time of £196,000, being the custs associated with the introduction to the USM.

Memrom's systems integration business reported its second year of profitable growth with turnover up 23 per cent to £7.4m (£6m) and a contrihution 25 per cent higher at £1.9m (£1.5m).

The directors ysa these results confirm Memcom's continued strength in the Middle East.

In January, the group acquired Automation Engineering Inc of Washington DC to further hroaden its software capabilities and establish an existing customer hase in the U.S.

Shortly after its year-end Memcom announced its first ystem sales to a UK government agency. This, coupled with existing contracts and its sales efforts in the U.S., confirm the management's decision to expand its geographic coverage at the start of the year.

The board expects the current year to show the henefits of the group's rommitments to the development of new products and services and its expansion to new markets.

Linread agreement

LINREAD has reached agreement in principle to sell its wholly owned Canadian subsidiary Linread Canada, to Surher Enterprises Canada in August 1985. The total consideration will be C$100,000 cash payable in December 1986. Prior to this date, Surber will have the right to return ownership to Linread if they so wish. Subject to this and subject to the full discharge of existing creditors, Linread will receive in future years, repayment in cash for inter company loans and debts totalling C$140,000.

Brake on progress at Bulgin in poor second half

THE progress sean at A. F. Butgin in the first half—this electronic and electrical component manufacturer swung back into the black with profits of £208,00 at the interim stage—did not continue in the serond six months and there were losses of £20,000 to leave the pre-tax figure at £188,000 for the year ended January 31 1985, against £42,000.

The comparable figure was after additional depletion of oil and gas interests. No final dividend is being paid, leaving the total at 0.58p against the previous year's 0.77p final and 1.35p net total.

The directors say there were two major factors beyond the comnany's controt which outweighed the earlier signs of progress. Firstly, the sharp decline in the value of sterling against the U.S. dollar caused material costs to escalate and eroded margins despite price rises.

Secondly, turoover, although improving from £8.9m to £8.84m, was hit hy a fall off in demand for electronic products in the last quarter.

The chairman asys sales figures for the first quarter of the current year are more encouraging, and the company is still on rourse to achieve the objectives of the corporate plan for growth.

Spesrheaded hy the new management team at Cirkit, the company's electronic comnonents distribution operations have, for the first time moved into profit and the company is continuing tn build an increasing presence in this market.

Sales of traditional manufactured lines are also improving and in conjunction with a programme of product rationalisation are helping to restore margins to more acceptable levels.

Valuable ground has been gained in the continuing development of the power ronversion division, including the addition of important new products and the estahtishment of new lines of distribution. The substantial investment in this divtston over the past two years should begin to provide a return during the next year, say the direclors.

The creation of the power division incurred losses this time of £138,000, and group reorganisation costs were £53,000 against £290,000. Tax was considerahly lower at £87,000 (£140,000).

Stated earnings per 5p share were 0.36p against losses of 0.35p.

United Trust Credit £3m share issue

By Stefan Wagstyl

United Trust Credit, a fast-growing financial services group, is raising funds for the fourth time since it was founded in 1982 with a £2.96m share issue.

The company is offering for subscription 987,500 shares at 300p each. Its shares are dealt on its own over-the-counter market and on the London Stock Exchange under rule 535, which allows for very restricted trading.

The company, run by Mr Richard Owen and Mr Geoffrey Simmonds, former executives of Bremar Trust, is forecasting profits of not less than £600,000 pre-tax for 1985, against £302,000 last year. It is also planning to double the dividend for 1985 to 10p, with 4p payable as an interim.

UTC has made a name for itself sponsoring eight companies to the Unlisted Securities Market, four of them since the beginning of this year. It is also a market maker in some USM and OTC stocks, an investment house and management consultancy.

Mr Owen said that the new funds, which would expand the group's net assets to £7.25m, would allow the company to expand its corporate finance activities.

The shares on offer have all been pre-placed with institutional and other investors, but UTC has the right to claw back 25 per cent of the stock to offer to existing shareholders.

Heron Intl. achieves 26% profit expansion

ONE OF Europe's largest private companies, Heron International, has continued its unbroken record of growth since the mid-sixties. For the year ended March 31, 1985, the profit before tax has moved ahead from £25.8m to £32.5m, an increase of 26 per cent.

Turnover of the group expanded from £687.7m to £865m and the gross profit topped £100m, against £73.5m. Interest charges were up to £23m (£14.5m). The group is a trading, financial services and property undertaking. Its activities and interests in the UK are controlled and co-ordinated hy Heron Corporation, and in the U.S. by Heron Financial Corporation.

Mr Gerald Ronson, the chairman and chief executive who drew a salary of £449,000, describes the year as "another of considerable progress," and says the group is ready to respond to opportunities for expansion by acquisition as well as hy the organic growth objective that have heen set for the future.

He says the trade division continued as a whole to perform satisfactorily in spite of continuing difficult market conditions; turnover rose by 10 per cent to £336m hut the profit fell from £12.3m to £9.4m.

Heron Homes, the housebuilder, advanced further as a result of increased building efficiency and by optimum use of its land resources, which are valued at £30m over halance sheet value.

The management and control of the various motor related operations bave been restructured. The communications side continues to consolidate its significant stake in the home entertainment and leisure market, says the chairman.

Sufficient working capital has now been rommitted to ensure that First Computer will be properly structured to meet its initial objectives of a nationwide chain of stores, and a further 15 stores are planned to complement the existing seven.

Profit in the property division shot up from £4.3m to £18.2m. The 32 stores acquired from Woolworth bave all been sold, and the company also developed and sold over 20 retail sites in prime high street locations. By the year-end the rompleted property portfollo stood at £275m and net rental income was at an annual rate of £18.8m.

In financial services it was another year of growth, with profits increasing to £20.5m (£16.4m). Prima Savings and Western American Financial hoth operate in Arizona, which continues to provide a robust growth environment with increasing economic development. The UK insurance company returned a record year.

At the year end, group shareholders funds had increased hy 12 per cent to £270m. The major shareholder is the Ronson Foundation.

Whitecroft cuts borrowings

WITH INTEREST charges down 18 per cent to £619,000, Whitecroft—which recently reported pre-tax profits up from £6.24m to £7.46m for the year to March 31—is able to show group horrowings at only 20 per cent of shareholders' funds.

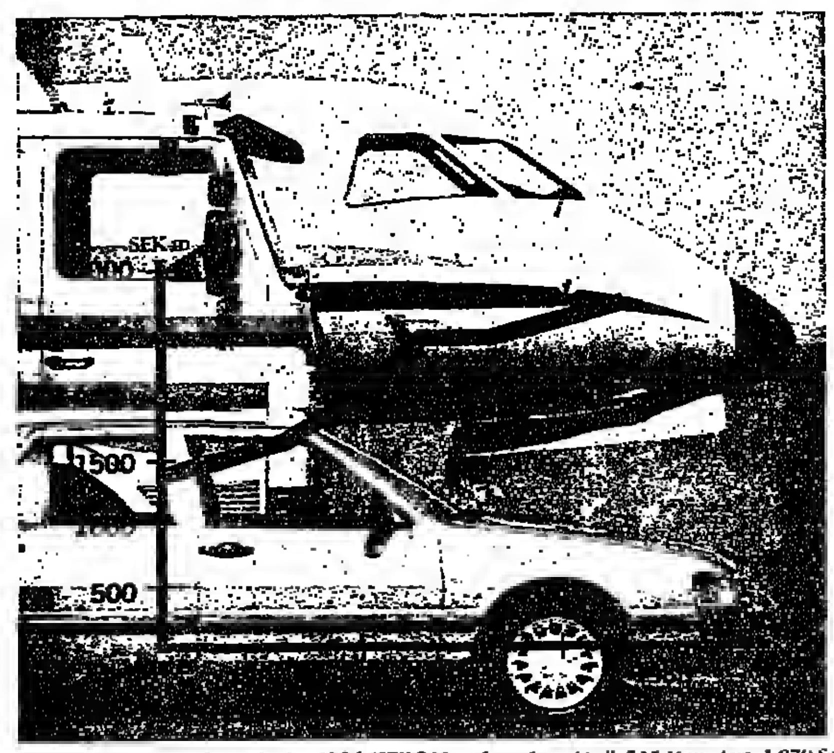
Mr John Tavaré, chairman and managing director—who retires from the group board in August and hands over to Mr Tom Weatherby, deputy chairman—says the success of the group has been achieved hy focusing management direction on to the mainstream of activities concentrated in four divisions. Whitecroft is well set to continue and improve on its achievements, he says.

The textile division has continued to develop its specialised products and capabilities and the necessary capital investment is being made. And for the current year "it is expected that the division will produce improved profits," the directors report.

The major advance in profit and turoover of the building supplies division was achieved in the first balf of the year, after temporarily huoyant demand following the government's advance notice of the imposition of VAT on building repairs and improvements. The group aims to improve the division's effectiveness hy broadening of the product range.

Profit of the lighting division advanced hy 21 per cent. The division is aiming to achieve improved turnover in both home and export markets and increased profit in the current year.

In property development, which contributed £1.3m after only small profits in earlier years, a number of new commercial projects will be put in hand in the current year with several profitable investment sales planned.



CONTRACTS

£2.5m roadwork for A. McAlpine

ALFRED McALPINE Construction has been awarded a contract worth almost £2.5m by Lancashire County Council for roadworks at Hyndburn, Lancashire. Work involves the construction of 1.8 km (1.1 miles) of single and dual-lane carriageway for the Hyndburn link road and 0.4 km of associated side roads. Also included is the provision of a bridge over the river Hyndburn, the widening of an existing bridge, the construction of reinforced concrete box culverts for 300 metres and retaining walls for 100 metres under the road, lighting and landscaping.

*

ASHBY & HORNER has been awarded a contract to build a 65-bedroom hotel at Kingston-upon-Thames being developed by Anchor Hotels at a cost of over £2m. Scheduled to open in early spring 1986, the hotel is being built on a prime site on Kingston Hill and will incorporate the existing core building of the 100-year-old George & Dragon public house. The main feaure will be a central landscaped courtyard around which are located the conservatory - style French restaurant and bedroom wings.

*

ROTORK CONTROLS of Bath, Avon, has won contracts valued at nearly £200,000 for electric valve actuators for use on the second phase of the Bombay water and sewage project, India. Nearly 200 "Syncropak" actuators will control butterfly and sluice valves being supplied by Indian valve makers Perfect Engineering, Bombay, and Kirloskar Brothers, Pune, and UK sluice gate manufacturers Ham Baker, Warley, West Midlands.

*

BICC-CITEC, the Swindon-based electronics company, has won a £750,000 export order to supply thick film technology to China. The contract has been signed with the state-owned Hong Xing Radio Elements & Materials Factory in Shaanxi Province, north central China. CITEC will supply both the equipment and technological training to enable the factory to manufacture a 19 mm cermet trimmer. CITEC will supply a range of proprietary and custom-designed fully automated equipment for parts manufacture, thick film screen printing, substrate value measurement, final assembly and testing.

*

Troy Construction has commenced the construction of a £438,000 four storey office block at 401, Mile End Road following negotiations with Kentish Homes. Troy Construction is erecting offices adjacent to the recently completed Kentish Homes Housing development known as Eaton Terrace in Hackney. The contract is programmed for completion in 46 weeks.

*

WILTSHIER CANTERBURY has won a tender worth £1.1m to build a single-storey building in the Customs area for Dover Harbour Board. Work starts shortly on the 36-week contract and completion is due during March 1986.

*

Lesser Design and Build, based at Teddington, has started work on phase one (£4.9m) of a design and build contract for Capital and Counties, at Chandler's Ford, Hampshire. The complete development will comprise 176,000 sq ft of lettable office space. The design, undertaken in conjunction with the Hedley Greentree Partnership, is a campus-style development with extensive landscaping. The first phase has already been let to B and Q, the DIY group, for its headquarters. Completion is scheduled for November 1986.

The company has won contracts totalling nearly £1.5m for construction work in the north west. Project management company Lamdec has awarded a contract for structural work at a chemical plant near Liverpool. The project covers internal and external foundations and erection of steel-framed buildings at the Petrolite complex on Kirkby Industrial Estate. It is part of a scheme aimed at expanding and modernising the plant's production capability. Fairclough's Swinton-based western division is also building a research and development centre at Gadbrook Park, Northwich, for Osborne House (Gadbrook). The two-storey steel-framed office and laboratory block is scheduled for completion in October.

*

Fairclough Building has also been awarded a £465,000 contract for the construction of three-storey offices in St James Road, Surbiton. Being carried out by the building service department of Fairclough's southern division, the thirty-eight week project is due for completion in December this year and primarily entails the erection of a reinforced concrete frame building on piled foundations, with flat slab floors and reinforced concrete roof, for client Stewart Nairn Group. When completed, the building will provide around 925 sq metres of office space.

APPOINTMENTS

Allied Colloids board posts

ALLIED COLLOIDS has made a number of appointments to the board: Dr D. B. Anderson is appointed production director (intermediates and flocculants); Mr G. McGrow, sales director (flocculants); Mr C. N. Bowes, (non flocculants); Mr A. S. Major, engineering director, and Mr K. M. Waite, administration director (including personnel).

*

Mr G. H. Popham has been appointed chairman and Mr I. P. Sedgwick, chief executive, of SCHRODER INVESTMENT MANAGEMENT. Sir Richard Baker Wilbraham, Mr J. A. de Havilland, Mr C. J. Govett, Mr J. A. Hill, Mr D. J. Mumford, Mr K. M. Niven, Mr A. M. Agrotis, Mr D. Duncan, Mr W. R. Eyres, Mr R. E. Hills, Mr P. A. Leonard, Mrs J. Pain, Mr K. H. Pearch and Mr A. W. Sugden have been appointed directors.

*

Mr Peter Swingler has been appointed a director of BARCLAYS MERCHANT BANK. Mr Bill Grant, Mr Peter Hornby, Mr Howard Paget, Mr Paul Roberts, Mrs Kaye Squires and Mr John Varley become assistant directors.

*

P-B SECURITIES, DOWN, DE BOER AND DUCKETT, a member of the Stock Exchange, has appointed Mr Roger Moss and Mr Christopher Phillips assistant directors. Mr Moss became an institutional equity salesman with Montagu, Loebl, Stanley in 1980, and subsequently with Grieveson Grant. Mr Phillips joined Montagu, Loebl, Stanley in 1978 as a financial analyst and head of research, moving to Grieveson Grant in 1983.

*

Mr John Reid has been appointed to the newly-created position of director of customer services at PRESS COMPUTER SYSTEMS of Wolverhampton. He was systems manager at Prestwick Circuits.

*

Mr Malcolm Whitney has been appointed a director of BDP PROJECT MANAGEMENT.

FT COMMERCIAL LAW REPORTS

Bank cannot recover debt twice

BARCLAYS BANK PLC v WILLOWBROOK INTERNATIONAL LTD AND OTHERS
Chancery Division: Mr Justice Walton: July 1 1985

WHERE A debt is assigned by the creditor to his bank to secure his own indebtedness, the assigned debt is discharged if money belonging to the debtor is paid to the original creditor with the intention of effecting a discharge and is immediately transferred to the bank which sets it off against his indebtedness knowing that it emanates from the deptor.

Mr Justice Walton so beld when dismissing Barclays Bank PLC'a claim for a declaration against the defendants Willowbrook International Ltd, Castle Hughes International Farms Ltd and Castle Hughes Farms Ltd, that a secured debt owed by tbe two latter companies (the "farm companies") to Willowbrook and assigned by Willowbrook to Barclays, remained outstanding.

* * *

HIS LORDSHIP said that by mid-summer 1982 Willowbrook, a vehicle manufacturing company, was in trouble. It had lent £2m to the two farm companies and was indebted to Barclays and to its Swiss selling agent.

It had taken a mortgage and charge from the farm companies to secure its lending to them, and had been forced to sub-mortgage and sub-charge those securities to Barclays. It did have a very considerable sum due to it as the result of sales in Ghana, but that was blocked by exchange controls because Ghana did not have the hard currency to make the payments.

Mr George Hughes, chairman of the bolding company of Willowbrook and the company operating in Ghana, conceived a scheme to get the money out of Ghana.

Tbe Ghana company had deposited the amounts due to Willowbrook in local currency with its bank, the Standard Bank, in Ghana. That passed it on to the Bank of Ghana. The exchange rate was then fixed but permission to remit the money out of Gbana was deferred until the Bank of Gbana had sufficient currency.

Mr Hughes resolved to get the money out by means of "kickbacks" or bribes, to suitable Ghanaian officials. They were only prepared to co-operate if the money was routed via Switzerland. Tha Swiss selling agent had been used for that purpose before.

Mr Hughes discussed the matter witb a Barclays brancb director in London, who found the payment of a bribe distasteful but was prepared to allow the proposed schema to proceed without objection. At no time bad Barclays given notice of its fixed charge to anyone in or outside Ghana.

On July 27 1982 the Bank of Ghana confirmed the release of £669,282 of the moneys due. The money was remitted first to Standard Chartered Bank in Leicester which, after deduction of charges, remitted it to the Swiss Bank Corporation for the benefit of the selling agent'a account.

In the meantime the selling agent bad been pressing for payment of tha considerable arrears of commission due to it from Willowbrook. The arrangement with Mr Hughes was that the money from Ghana sbould be used to discharge *pro tanto* sums due to the selling agent on condition that it lent an equivalent amount to the farm companies with their promise of security to follow.

That was intended to relate to the possibility that the farm companies would give the selling agent the security beld by Barclays after they had obtained its release. Mr Hughes did not see fit to take Barclays fully into its confidence in that regard.

There was nothing in any of the arrangements wbicb obliged the selling agent to do anything else with the money, save make provision for payment of the bribes.

It stuck to the bargain and did advance £669,282 to the farm companies by means of a cheque drawn in favour of Mr Hughes. He endorsed tbe cheque over to Willowbrook, and it was duly paid into Willowbrook's account witb Barclays.

The same paltern was followed witb a second remittanca from Ghana, and a third.

From the point of view of the selling agent and the farm companies, they were perfectly proper transactions. They were not shama or something other than they purported to be, and the selling agent was not acting as an agent for collection of debts.

The present action was hetween Barclays as sub-mortgagee and sub-chargee against the farm companies as original mortgagors and chargors, for a declaration that their debt remained outstanding and tbat the mortgage and charge remained in full force.

The moneys paid were the property of the farm companies, and were intended by them to diacbarge their debt to Willowbreok.

Mr Price, for Barclsys, argued that as the debt bad already been assigned to Barclays the farm companies had paid the wrong person — the assignor creditor and *not* the *assignee*. That person [Willowbrook] paid the moneys to Barclays which bad set them off against Willowbrook'a indebtedness and, so it was argued, the wbole transaction bad no effect on Barclays' claim under the assignment.

Mr Brindle, for the *farm* companies, agreed that if a debtor paid the original assignor and not the assignee he might stand in peril of baving to pay the assignee all over again; but that was on tha footing that the debt, when paid, did not reacb the assignee.

For example, if the debtor paid the original assignor wbo immediately banded the money over to the assignee saying something like "I assigned Jones's debt to you. Jones has just paid me and bere is the money," it would be quite futile to imagine tbat thereafter Jones was in peril of an action by the assignee to recover the money.

That, submitted Mr Brindle, was exactly wbat happened in the present case, save for tha conversation: immediately on receiving payment of the debt in three tranches from the *farm* companies, Willowbrook paid the money over to Barclays Bank.

The question was whether, when the money was paid by Willowbrook to Barclays, Barclays knew that it was in fact the farm companies' money. If it did, such knowledge must, in the circumstances of the case, be equivalant to the missing convarsation. There would certainly be no other reason why the farm companies should be making such a large payment into Willowbrook's account.

Barclays' statement of claim, as amended, asserted that the moneys came to Barclays through tbe farm companies. It must therefore be assumed that it knew wbat was happening. It did not assert ignorance, but that the whola transaction was a sham — which was incorrect.

Accordingly, altbough in one sense the farm companies undoubtedly paid the "wrong person," since that money, to Barclays' knowledge, emanated from them and found its way directly to *Barclays*, they *had discharged* their indebtedness and tbe mortgage and charge and sub-mortgage and sub-charge now had no content.

Even if the situation bad been totally unknown to Barclays, in the circumstances of the particular case, once the true facts bad come to light effect must be given thereto. Barclays had suffered no detriment whatsoever aa a result of what bappened and it would be strange in the extreme if it were entitled to a wbolly *uncovenanted* bonus being able to claim the debt owed by the farm companies to it for a second time.

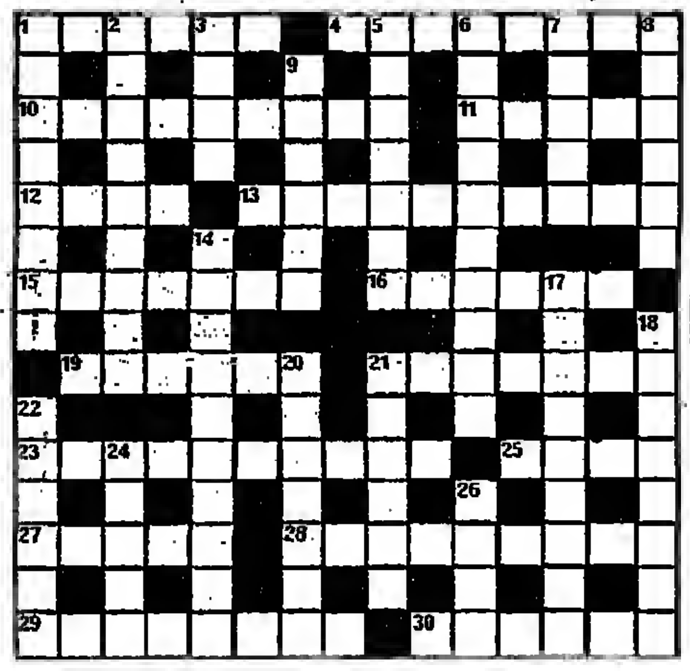
The action was dismissed.

For the farm companies: Michael Brindle (Berwin Leighton).

For Barclays: Leolin Price QC and David Ritchie (Durrant Piesse).

By Rachel Davies
Borrister

F.T. CROSSWORD PUZZLE No. 5,764



ACROSS

1 and 4 When sun is at the highest? (6, 8)
10 Inn ragged, perhaps, carried out in 1 across (9)
11 In which shots are seen? (5)
12 Ramblers follow it with soft hat tilted (4)
13 Urban newsmen responsible for water works? (4, 6)
15 One gives vain display—the performance is cancelled (4-3)
16 Mercy! A variety like ices? (6)
19 On the tilt-like half lights (6)
21 Pinch the bit off showing furtiveness (7)
23 Hordes of girls helping in husbandry! (4, 6)
25 Birds coming between them and us (4)
27 Partly some doctor's orders. Wine! (5)
28 Famous for courtship in 1 across (9)
29 Society has little match at Lord's? Most pleasant (8)
30 Famous for 1 across rows (6)

DOWN

1 Ramblers look for it, put their name to letters (8)
2 Popular races on tarmac, mostly—sh!—it's changed (9)
3 Where 10 originally took place? (4)
5 Produced by living plants in cargo maybe (7)
6 Experienced by holiday-makers. They come on to land (3, 7)
7 One doctor, upper-class (and English) to inspire (5)
8 Men he's converted to catch in net (6)
9 I am rising to take off hat in the cricket field (3-3)
14 Man, lackaday, takes shelter at the races (5, 5)
17 Demo—all me being built up. (Atlas?) (4, 8)
18 and 22 Holiday-makers seek them—the bright heights, we hear (3, 5, 6)
20 An age occurred when tool had to give out when lifted (4, 3)
21 Stock of animals in fringes of Surrey is covered in vapour (6)
22 See 18
24 Use elbow, e.g. with horse coming up (5)
26 Sky in 1 across? (4)

SOLUTION TO PUZZLE No. 5,763

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)

[illegible]

Aitken Hume

[illegible]

Allied Dunbar Unit Trusts PLC (a)(g)

[illegible]

Anthony Wieler Unit Tst. Mgmt. Ltd.

[illegible]

Arbuthnot Securities Ltd. (a)(c)

[illegible]

Archway Unit Tst. Mgs. Ltd.(a)(c)

[illegible]

Arkwright Management

[illegible]

Atlanta Unit Managers Ltd.

[illegible]

Baillie Gifford & Co. Ltd.

[illegible]

Barclays Unicorn Ltd.(a)(c)(g)

[illegible]

Baring Fund Managers Ltd.

[illegible]

Barrington Mgmt Co Limited

[illegible]

Bishopsgate Progressive Mgmt. Co.

[illegible]

Brown Dolphin Unit Tst Mngrs Ltd

[illegible]

Bridge Fund Managers (a)(c)

[illegible]

Britannia Gp. of Unit Trusts Ltd. (a)(c)(g)

[illegible]

Brown Shipley & Co. Ltd. (a)(g)

[illegible]

Buckmaster Management Co. Ltd. (a) (c)

[illegible]

CS Fund Managers Limited

[illegible]

Canada Life Unit Trust Mngrs. Ltd.

[illegible]

Cannon Fund Managers Ltd. (a)

[illegible]

Capel (James) Mngt. Ltd.

[illegible]

Cater Allen Unit Tst Managers

[illegible]

Cent. Bd. of Fin. of Church of England

[illegible]

Charinco Charities N/R Fund

[illegible]

Charities Official Invest. Fund

[illegible]

Chieftain Trust Managers Ltd (a) (g)

[illegible]

Confederation Funds Mgt. Ltd. (a)

[illegible]

County Bank UT Services Ltd

[illegible]

Crown Unit Trust Services Ltd.

[illegible]

Dartington Unit Trust Mngt. Ltd.

[illegible]

Discretionary Unit Fund Managers

[illegible]

EFM Unit Trust Managers Ltd

[illegible]

The English Association

[illegible]

Equitable Units Administration Ltd

[illegible]

Equity & Law Un. Tr. M. (a) (c)

[illegible]

F & C Unit Management

[illegible]

FS Investment Managers Ltd.

[illegible]

Fidelity International Management Ltd.

[illegible]

James Finlay Unit Trust Mngt. Ltd.

[illegible]

Robert Fleming & Co Ltd

[illegible]

Framlington Group (a)

[illegible]

Robert Fraser Trust Mgt. Ltd.

[illegible]

Friends Prov. Trust Managers (a)(b)(c)

[illegible]

Funds in Court

[illegible]

GAM Sterling Management Ltd

[illegible]

G. & A. Trust (a) (g)

[illegible]

G.T. Unit Managers Ltd.

[illegible]

Gartmore Fund Managers (a) (c) (g)

[illegible]

Govett (John) Unit Mgmt. Ltd.

[illegible]

Grenville Unit Tst Mngmt Ltd

[illegible]

Grieveson Unit Trust Managers

[illegible]

Guardian Royal Ex. Unit Mngrs. Ltd.(a)

[illegible]

Guild Management Limited

[illegible]

Henderson Administration (a) (b) (c)

[illegible]

Hill Samuel Unit Tst. Mgrs.† (a)

[illegible]

Key Fund Managers Ltd. (a)(g)

[illegible]

Kleinwort Benson Unit Managers

[illegible]

LAS Unit Trust Managers Ltd

[illegible]

L & C Unit Trust Management Ltd.

[illegible]

Lawson Fund Managers Ltd. (a) (c) (g)

[illegible]

Lazard Brothers & Co. Ltd.

[illegible]

Legal & General (Unit Tst. Mngrs.) Ltd.

[illegible]

Leonine Administration Ltd.

[illegible]

Lloyds Bk. Unit Tst. Mngrs. Ltd. (a)

[illegible]

Lloyd's Life Unit Tst. Mngrs. Ltd.

[illegible]

Local Authorities' Mutual Invest. Tst.

[illegible]

London & Manchester (Tst Mgmt) Ltd

[illegible]

London Law Unit Trust Mngt. Ltd.

[illegible]

M & G Group (y)(c)

[illegible]

MGM Unit Managers Ltd.

[illegible]

MLA Unit Trust Management Ltd

[illegible]

ManuLife Management Ltd.

[illegible]

Mayflower Management Co. Ltd.

[illegible]

McAnally Fund Management Ltd.

[illegible]

Mercury Fund Managers Ltd.

[illegible]

Midland Bank Group U.T. Mngrs. Ltd.

[illegible]

Minster Fund Managers Ltd.

[illegible]

Montage Unit Trust Mgrs. Ltd.

[illegible]

Murray Johnstone U.T. Mgmt. (a)

[illegible]

NFU Mutual Unit Managers Ltd.

[illegible]

National Provident Inv Mgrs Ltd

[illegible]

Norcap Fund Managers Limited

[illegible]

Northgate Unit Trust Managers Ltd.

[illegible]

Norwich Union Insurance Group (b)

[illegible]

Octavian Unit Trust Mgrs Ltd

[illegible]

Oppenheimer Fund Mngt Ltd

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Pearl Trust Managers Ltd. (a)(g)
252, High Holborn WC1V 7EB 01-405 8441

Pearl Growth Fd	60.1	63.9	-0.3	3.55
Accum Units	88.8	94.5	-0.4	3.55
Pearl Inc	86.5	92.0	-0.1	5.15
Pearl Unit Tst	89.6	95.3	-0.3	4.38
(Accum Units)	151.4	161.1	-0.5	4.50

Perpetual Unit Trust Mngmt. (a)
48, Hart Street, Henley on Thames. 0491 576868

Growth	179.1	192.5	+1.0	1.49
Income	134.7	143.3	+1.6	5.42
Worldwide Recovery	101.4	108.8	-0.1	2.10
American Growth	57.3	61.5	-0.1	0.65
Intl Emerging Co	56.6	60.8	-0.3	0.77
Far East Growth Fd	46.8	50.3		1.06

Prolific Unit Trusts
222, Bishopsgate, EC2 01-247 7544/7

Prolific Far East	101.5	108.8		0.34
Prolific Extra Inc	59.5	64.0	-0.4	6.20
Prolific Gilt Cap.	80.7	84.0	+0.4	3.27
Prolific High Inc	122.6	131.6	-0.1	5.61
Prolific Intl	82.5	88.4	-0.1	1.84
Prolific N. Amer	118.8	127.3	+0.5	1.52
Prolific Spec. Sits	130.6	140.4	-0.7	1.80
Prolific Technology	101.8	109.1	-0.1	0.40

Providence Capitol Fd. Mgrs. Ltd.
30 Uxbridge Road, London, W12 8PG 01 749 9111

Japan Trust	48.7	51.6	-0.1	0.06
Worldwide	48.1	50.9		1.63
European Trust	48.7	51.6	+0.1	1.68
North American	51.7	54.8	-0.3	2.07
UK Equity	48.2	51.1		3.99

Prudential Unit Trust Mngrs Ltd. (a) (b) (c)
51-69, Ilford Hill, Ilford, Essex, IG1 2DL 01-478 3377

Holborn Equity Tst	309.2	328.9	+0.6	3.78
Holborn Gilt Tst	150.9	157.8	+0.5	8.92
Holborn High Inc	52.9	56.2		7.58
Holborn Intl	59.9	63.7	+0.3	0.60
Holborn UK Growth	61.9	65.8		3.57

Quilter Management Co. Ltd.
31-45 Gresham Street, EC2. 01-600 4177

TSB Unit Trusts (b) (c) (y)
PO Box 3 Keens Hse. Andover, Hants. SP10 1PG
0264 62188 Dealings to 0264 63432 3

TSB American	97.9	104.5	-0.5	1.13
Do Accum	100.8	101.3	-0.5	1.13
TSB Extra Income	83.6	89.0	+0.2	6.48
Do Accum	91.0	97.0	+0.1	6.48
TSB General	115.0	122.1	+0.1	3.44
Do Accum	183.5	195.2	-0.2	3.44
TSB Gilt & Fxd Int	47.0	49.8	+0.2	9.42
Do Accum	56.7	59.1	+0.2	9.42
TSB Income	155.8	165.8	-0.5	5.26
Do Accum	235.0	250.1	-0.3	5.26
TSB Pacific	104.3	111.0		1.06
Do Accum	106.4	111.8		1.06
TSB International	228.7	243.4	-0.4	1.90
Do Accum	278.4	296.2	-0.6	1.90
Natural Resources	44.2	47.1	+0.2	2.60
Do Accum	44.7	47.6	+0.2	2.60
TSB Sectd Opps	44.6	47.5	-0.1	2.75
Do Accum	48.0	51.1	-0.1	2.75

3i & Target Fund Mgrs Ltd
Target House, Gatehouse Road, Aylesbury, Bucks Aylesbury (0296) 5941

Small Co's Fund	66.F	71.3	+0.3	0.10

Target Trust Mngrs. Ltd. (a)(g)
Target Hse, Gatehouse Rd, Aylesbury Bks (0296) 5941

American Eagle	67.7	72.4	+0.2	0.26
Australia	27.5	29.3	+0.2	0.10
Commodity	90.6	97.0		1.78
Energy	40.7	41.5	-0.4	0.80
Equity	91.6	99.8	+1.0	3.97
European Spec Sits	50.1	51.6	-0.8	0.93
Extra Income	88.1	94.3		7.70
Financial	191.0	203.7	-1.4	1.03
Gilt Capital	215.5	225.7	+0.6	3.75
Gilt Income	101.5	106.3	+0.4	9.01
Gold Income	61.1	65.3	+1.0	2.34
Gold Acc.	110.1	117.8	+1.7	2.34
Income	55.0	59.1	-2.0	6.33
Japan	45.4	48.4	+0.2	0.10
Malaysia & Singapore	23.3	24.9	+0.3	1.18
Pacific Income	65.2	69.7	-0.5	0.89
Pacific Re Inv	78.9	84.4	-0.4	0.89
Preference Share	15.6	16.9		10.05
Professional	460.2	490.9	+0.4	1.77
Special Sits	78.2	81.6	-2.2	2.60
Technology	42.3	45.2	+0.4	0.10

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV ..... $11.34 | — | +0.07 | —

World Wide Growth Management◊
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd ..... $13.13 | — | −0.16 | —
Inv. Adv.: M. & G. Inv. Mngt., Ltd., London.

Yamaichi Dynamic Mngt Co SA
304 Boulevard Royal, Luxembourg
Advanced Tech ..... $9.04 | — | +0.09 | —
Dynamic Groth Fd ..... $8.20 | — | −0.03 | —

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	12.2	—	—	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4SJ. 01-236 0952				
Call Fnd	12.93	9.67	14.31	6mth
7-day Fnd	12.32	9.21	13.61	6mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE 01-236 1425				
Call Fnd	12.35	9.29	13.62	6-Mth
7-day Fund	12.30	9.25	13.65	6-Mth
Dollar	7.00	—	—	6-Mth
Money Mngt. Acct.	12.125	9.06	13.59	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh, EH2 4DF 031-225 8484				
Full Service Chq Acc	12.25	8.79	13.06	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	12.375	9.25	13.07	Qtr
Mth. Inc. Cheq.	12.25	9.16	13.90	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	11.90	8.89	13.22	Mth

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ● Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase.

OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	16	Midland Bk	30
BAT	32	NEI	8
BOC Grp.	25	Nat West Bk	60
BSR	16	P & O Dfd	36
BTR	52	Plessey	17
Babcock	34	Polly Peck	26
Barclays	48	Racal Elect	18
Beecham	32	RHM	11
Blue Circle	45	Rank Org Ord	32
Boots	15	Reed Intnl	50
Bowaters	20	Sears	8
Brit Aerospace	33	TI	20
Brit. Telecom	11	Tesco	20
Brown (J.)	3	Thorn EMI	35
Burton Ord	39	Trust Houses	13
Cadburys	34	Turner Newall	10
Comm Union	19	Unilever	85
Courtaulds	12½	Vickers	19
Debenhams	17½	**Property**	
Distillers	28	Brit Land	12
Dunlop	6	Cap Counties	18
FNFC	8½	Land Secs	25
Gen Accident	45	MEPC	28
Gen Electric	37	Peachey	22
Glaxo	85	Samuel Props	14
Grand Met	25	**Oils**	
GUS 'A'	60	Brit. Oil & Min.	4
Guardian	60	Brit Petroleum	42
GKN	37	Burmah Oil	18
Hanson Tst.	37½	Charterhall	6
Hawker Sidd.	38	Premier	5
Hse of Fraser	30	Shell	60
ICI	60	Tricentrol	18
"Imps"	18	Ultramar	19
Jaguar	28	**Mines**	
Ladbroke	24	Charter Cons.	18
Legal & Gen	50	Cons Gold	44
Lex Service	28	Lonrho	14
Lloyds Bank	45	Rio T Zinc	56
Lucas Inds	25		
Marks & Spencer	11		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Recovery in diamond sales is forecast to continue

BY GEORGE MILLING-STANLEY

SALES OF rough (uncut) gem and industrial diamonds rose in the six months to June 30, according to De Beers' Central Selling Organisation, which handles the marketing of over four-fifths of world production.

The increase in terms of the U.S. dollar, the currency in which diamonds are traded, was of the order of 25 per cent to $837m, compared with $668m in the second half of 1984.

In the absence of the traditional big post-Christmas re-stocking, however, the CSO's sales were 11 per cent below the level of the first half of last year.

The weakness of the South African rand against the U.S. dollar meant that in terms of the rand, the important currency for the CSO's parent company De Beers Consolidated Mines, sales totalled R1.68bn, a rise of 49 per cent over the second half of 1984 and 42 per cent above the first half.

The CSO said yesterday that the level of sales was "satisfactory."

Last year's substantial increase in sales during the first half was followed by a decline in the closing stages of the year, and in order to avoid this the CSO has deliberately tried to contain demand during the latest period.

The organisation has maintained what it describes as its policy of "selective allocation," which means that it is trying to ensure that the manufacturers who attend its five-weekly "sights," the main buying opportunities during the year, are only allocated stones which they can be sure of selling.

This has helped to bring about a further reduction in stocks held in the principal cutting centres of New York, Antwerp, Tel Aviv and Bombay.

There has been a broadening in demand for the better qualities and larger stones, the CSO said yesterday.

It went on to say that it is maintaining a cautious sales policy, even though the market seems to be improving, and this in contributing to the steadier picture. There is no expectation that the increase in the latest period will be followed by a decline in the second half, as was the case last year.

In fact, the CSO is expecting its efforts to result in a further increase in sales between now and December, reversing the normal pattern.

One factor behind the steep decline in sales during the closing six months of 1984 was a large influx of good quality polished stones from the Soviet Union.

Another problem the CSO has had to face in recent months is the possibility that Zaire may decide to sell its diamonds on the open market, rather than through the organisation.

Although Zaire is the largest single volume supplier to the CSO, the bulk of its output comprises the lower-value industrial material, so any defection would be largely a blow to the organisation's pride.

Negotiations have been disrupted over the past week by the country's independence celebrations.

DIAMOND SALES

	Six months to June Rm	Dec Rm	Year's Total Rm
1985	1,679	—	—
1984	1,180	1,126.6	2,306.0
1983	860.0	911.9	1,771.0
1982	635.5	724.1	1,359.9
1981	741.5	501.9	1,249.4
1980	1,267.2	874.4	2,141.8
1979	1,085.4	1,106.2	2,191.5
1978	1,063.3	1,155.4	1,218.9
1977	943.4	859.5	1,802.7
1976	681.9	670.9	1,351.9
1975	355.1	438.4	793.5
1974	525.5	313.8	849.4

Cocoa pact extension meeting begins

By Our Commodities Staff

COCOA officials from producing countries yesterday began a two-week meeting which will consider whether to extend the existing International Cocoa Agreement (ICCA) for up to another year in the absence of a new pact to replace it.

The meeting of the International Cocoa Organisation's governing council follows three days of consultations last week in which producers and consumers explored the prospects of calling another round of negotiations on a new ICCA.

No decision emerged from that session, but members are generally expected to make a final attempt to reach a new pact by the first quarter of next year. Delegates are likely to decide next week to extend the existing agreement, which has no powers to intervene in the market, for at least six months.

● BASE METAL prices dropped in varying degrees on the London Metal Exchange yesterday in the face of sterling's climb against the dollar, with nickel leading the way down with a £127.50 fall to £3,760 a tonne.

Zinc also continued its recent bear trend, dropping £16 a tonne to a 23-month low of £545. Traders said, however, that tin and lead held remarkably steady in sterling terms considering the UK currency's rise. Copper was down £16.50 at £1,061 a tonne.

● TEA PRICES declined further at yesterday's weekly London auction

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Changes during week ending July 5).

(tonnes)		
Aluminium	+1,150	to 122,900
Copper	+1,300	to 115,600
Lead	−225	to 35,400
Nickel	−30	to 5,538
Tin	−380	to 22,570
Zinc	−150	to 34,900
(ounces)		
Silver	−390,000	to 50,126,000

Farmer's Viewpoint: by John Cherrington

Options for limiting grain output

IN THE autumn of 1970 I was having a meal in Regina, in the Canadian wheat growing prairie. When I asked for the bill the waitress said "that will be $8 or 8 bushels." She was not pulling my leg. At that time the world wheat price was on the rocks and in an attempt to maintain prices the Canadian Wheat Board was limiting deliveries from farms drastically. Several farms I visited had huge mounds of grain up to several years old for which there were no outlets at the time.

Few farmers could afford to exist without some sales and a black market had grown up. There were wheat buyers, the operators of feed lots for fattening cattle for instance, and their price was $1 per bushel for wheat, about half the price paid by the Board when the wheat was delivered through legitimate channels. So at the time farmers were operating a system where the prime currency was wheat. I was told that everything from college fees to groceries could be settled in this way and there was very little the Board could do about it.

What brought all this to mind was reading accounts of the EEC Commission's proposals for reforming the cereal market.

The point about price reductions is that they would lead to every farmer doing his best to increase his own output so as to reduce his unit costs. The same applies to a two tier price system. Faced with this the farmer's reaction would be to make up for the lower price on his non-favoured output by increasing total production, so averaging up his returns.

This was well illustrated in Britain during the early 1960s when milk output was restricted by the standard quantity system. This effectively reduced the average milk price to all farmers to which they responded by pushing up output. Lord Soames, then Minister of Agriculture, indicated that he would favour individual farm quotas. But to this a majority of farmers said no. They saw the benefits of averaging up their production. Ironically enough although they screamed like mad when milk quotas were imposed last year it is probable that a referendum among them now would probably approve the system.

The objections to a quota system for grain centre on the difficulty of policing the market. If there was a certain price for a proportion of the farmer's grain at what point would it be paid? Would it be on the first sale off the farm to a merchant or mill? What about the first farm sales which could leave one farm and turn up from another and be classed as the latter's production? It is easy enough to control milk sales through the marketing Boards but to try and do the same with cereals which can pass through several different hands on the way to the final market would be impossible.

In the short term of course the EEC cereal management committee can do certain things as part of its mandate without asking the Council of Ministers first. One of these could be to raise the standards, particularly of wheat, which are acceptable either for intervention or export subsidy. If for instance the specific weight standard for wheat was raised from 68 kilos a hectolitre to 74 it would probably cut offers to this outlet by at least half the present quantity. But this would cause chaos on the UK market and would, of course, stimulate farmers to grow the higher quality wheats in subsequent years.

The present low quality of British wheat is causing serious problems including the virtual stagnation of sales out of intervention. It is probable that more than half of UK harvested wheat is of varieties classified as feed grain. It is true that intervention prices for feed wheat and barley are the same but export restitutions are very different. In general wheat refunds this year have been half and a third those of barley, so in general only the higher quality wheats have been exported.

There is, it is true, a category of bread wheat which carries a higher intervention price than feed wheat but the qualities laid down for this and the interpretation of them by the UK Government makes it a very difficult option. Two other factors are aggravating the wheat problem. The weakening of the U.S. dollar and an expected increase in feed grains in the world market. It is probable that feed grain restitutions will have to be at least £35 per tonne to match U.S. maize and Canadian barley.

I was talking about these matters to international traders the other day and one of them pointed out that although in the early 1970s they never thought things would get better within four years the Russian grain purchases had revolutionised the situation making cereals scarce and dear. But the crucial factor was that the U.S. had been running a programme of set aside or taking land out of production for many years which had kept output down.

Of course with the policy of price restraint favoured by the UK and sectors of the Commission the authorities hope to squeeze out marginal cereal acreages without the odium of direct control on areas sown. But the problem here is that there is very little difference today in yield between land considered inherently fertile say grade one and say grades three and four thanks to modern methods. I still believe that only a physical limitation of the area of production will ever control grain output to acceptable levels.

Opec discord hits oil prices

BY DOMINIC LAWSON IN LONDON AND RICHARD JOHNS IN VIENNA

CRUDE OIL spot prices yesterday weakened on both sides of the Atlantic as the market registered its disappointment at the complete lack of progress at the Vienna meeting of oil ministers from the Organisation of Petroleum Exporting Countries (Opec).

On the New York Mercantile Exchange, prices for August delivery crude oil were steady, but all subsequent months showed losses, ranging up to 40 cents a barrel. The European market was more muted in its reaction to Opec's deadlock in its attempt to forge a more rational system of production quotas. July shipments of Brent, the main North Sea crude, were quoted at $26.70 a barrel, down 10 cents on Friday's close. August shipments were traded at $26.10, a fall of over 15 cents.

Opec ministers will reconvene in Geneva on July 22, at which time they will once again attempt to devise a more workable quota and pricing system. Saudi Arabia had threatened to "go to the market" with its oil if Opec did not reach such an agreement in Vienna. But Saudi Arabia's oil minister, Sheikh Yamani, has given assurances to his Opec colleagues that his country will not trim prices before the forthcoming Geneva meeting.

But leading non-Opec producer Mexico has now let it be known that it will review its commitment to support Opec prices in the next few days, on the basis of the markets reaction to Opec's deadlock.

Oil traders pointed out that with Opec countries producing as little as 14m barrels a day, compared with its official ceiling of 16m barrels a day, prices for oil for prompt delivery were firm. But future prices show a marked downward curve leading into the next few months.

Refco acquires New York futures group

BY CHRIS CAMERON-JONES IN NEW YORK

REFCO, the Chicago-based business risk management firm, has acquired the businesses of DLJ futures group, part of Donaldson, Lufkin Jenrette, the New York investment banking and securities firm. The deal excludes the British-based ACLI Metals (London) and a Hong Kong joint venture, Wardley-ACLI Commodities.

The price was not disclosed but was said to be in excess of the value of the businesses on DLJ's books. The businesses concerned involve 500 staff and three main offices in Chicago, London and New York. The acquisition is the latest step in REFCO's expansion aimed at making the company one of the world's foremost providers of financing and financial management, financial strategy services, arbitrage, brokerage, foreign exchange and investment counselling services, through the use of futures, options and related instruments, Mr Grant said.

The ACLI Metals business did not fit in with Refco's strategy he said adding that Refco would be maintaining a working relationship with the Hong Kong joint venture.

Refco is one of the largest risk management firms in the world

Our Commodities Editor writes: The official announcement of the Refco takeover ends the intensive speculation recently in London about the future of Acli Metals, one of the 28 ring-dealing member companies on the London Metal Exchange. It was emphasised yesterday that Acli Metals' position on the Exchange was unchanged and indeed strengthened. Acli will not have to seek re-election as a ring-dealing member, since its parent company, Donaldson, Lufkin, Jenrette, remains the same end should now be able to provide its subsidiary with more resources following the disposal of the futures trading arm.

LONDON MARKETS

BASE METALS

LME prices supplied by Amalgamated Metal Trading

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	745-6	−12.75	—
3 months	707-8	−12.25	785/764

Official closing (am): Cash 748-9 (764-.5), three-months 772-3 (786-.5). Settlement 749 (764.5). Final kerb close: 786-7.

Turnover: 24,075 tonnes.

COPPER

Higher grade	Unoffic'l close	+ or —	High/Low
Cash	1060-61.5	−15.1	1071/1068.5
Three m'nths	1076-.5	−15.1	1087/1069.5

Official closing (am): Cash 1067-8 (1061-3), three-months 1067-8 (1078-9). Settlement 1059 (1063).

Turnover: 16,250 tonnes. U.S. Producer prices 65.625/68 cents per pound.

Cathodes			
Cash	1043.5	−8.0	1058/1058
Three m'nths	1051-60	−16.5	—

Official closing (am): Cash 1069.5-70.5 (1060.5-1), three-months 1060-5 (1050-1), settlement 1070.5 (1061). Final kerb close: 1070-71.

LEAD

	Unofficial close p.m. £ per tonne	+ or —	High/low
Cash	291.5-8	−1.25	300/299
3 months	300.5-1	−0.75	302/300

Official closing (am): Cash 299-5 (300-5), three-months 300.5-1.5 (302-5). Settlement 299.5 (300.5). Final kerb close: 301-2.

Turnover: 0,725 tonnes. U.S. spot: 18.5-21 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	3755-65	−127.5	3805/3805
3 months	3805-10	−105	3900/3795

Official closing (am): Cash 3805-10 (3900-5), three-months 3860-5 (3935-40). Settlement 3810 (3905). Final kerb close: 3790-00.

Turnover: 2,374 tonnes.

TIN

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/low ter day
Cash	9490	−0	—
3 months	9385-95	−13	9590/9390

Official closing (am): Cash 9490-500 (9540-9540), three-months 9400-1 (9410-2). Settlement 9500 (9540). Final kerb close: 9380-85.

Turnover: 990 tonnes. Straits tin $m30 55 (30 30) kilo.

Standard			
Cash	9495-500	−2.5	9530/9470
3 months	9380-90	−15.5	9419/9350

Official closing (am): Cash 9525-30 (9540-5), three-months 9400-10 (9410-2). Settlement 9530 (9545).

ZINC

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	544.5	−16	553/556
3 months	539-.5	−13.25	540/535

Official closing (am): Cash 543-5 (574-6), three-months 540-1 (566-1). Settlement 545 (577). Final kerb close: 541-42.

Turnover: 10,675 tonnes. U.S. Prime Western: 44/45.75 cents per pound.

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

METALS	July 8 1985	+ or —	Month ago
Aluminium	£1100		£1100
Free Mkt	$1030/1060	−5	$1070/100
Copper			
Cash h Grade	£1061	−16.5	£1123.5
3 mths	£1072.25	−16.25	£1148.25
Gold troy oz	$316.25	+3.0	$310.25
Lead Cash	£297.75	−1.25	£300.25
3 mths	£300.70	−0.75	£302.25
Nickel			
Free Mkt	232/256c	−3	250/280c
Palladium oz	$94.25	+0.3	$96.75
Platinum oz	$264.75	+4.75	$909.75
Quicksilver†	$280/290		$280/290
Silver troy oz	445.10p	−2.90	482.10p
3 mths	458.45p	−2.85	495.90p
Tin cash	£9495	−2.5	£9050
3 mths	£9385	−15.5	£9542.5
Tungsten	$79.75		$75.09
Wolfram 22.04lb	$58-62		$58/62
Zinc	£546	−16	£589.5
3 mths	£539.20	−15.25	£092.5
Producers	$880		$830

OILS	July 8 1985	+ or —	Month ago
Coconut (Phil)	$520z		$610
Palm Malayan	$595u	+10	$550
SEEDS			
Copra Phil	$335z	−5	$390
Soyabean (U.S.)	$235w	+3	$240.75
GRAINS			
Barley Fut. Nov.	£99.50	−0.25	£98.35
Maize	£141.00z		£147.50
Wheat Fut Nov.	£100.30	+0.01	£98.80
No. 3 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Sept.	£1777.0	+7.5	£1773
Coffee Ft. Sept.	£1820.0	−38	£2168
Cotton A Index	51.90c	−0.1	53.25c
Gas Oil Aug.	$214	−1	$210.5
Rubber (kilo)	00p		64p
Sugar (raw)	$84.5z	+2.5	$82.5
Wooltops 64s	448pkilo	−5	457pkilo

‡ Unquoted. u Aug. x Aug-Sept. w Sept. z July-Aug. † Per 76 lb flask. c Cents per pound.

GOLD

Gold rose $3½ to $315-316½ on the London bullion market yesterday. It opened at $312¼-312¾, and was fixed at $312.20 in the morning and $309.25 in the afternoon. The metal touched a low of $308¾-309¼ and a peak of $315¾-315¾. Gold drifted to the day's low around the time of the afternoon fixing, but rose sharply at the close, as the dollar fell below DM 3.00 on the foreign exchanges.

GOLD BULLION (fine ounce) July 8

Close	$315-315½	(£235-235½)
Opening	$312¼-312¾	(£230-235½)
M'ni'g fix.	$312.20	(£235.009)
Aft'n'n fix.	$309.25	(£232.815)

GOLD AND PLATINUM COINS

Kr'g'r'nd.	$323-323½	(£240½-241¼)
½ Krug.	$157-157¾	(£124½-125)
¼ Krug.	$85-85½	(£63¼-53¾)
1/10 Krug.	$34½-30¼	(£25¾-26¼)
Mapleleaf	$335-335¾	(£242-242¾)
New Sov.	$75-75¾	(£55¼-56½)
½New Sov	$45-45½	(£33½-34)
Old Sov.	$75-75½	(£56-31)
$20 Eagle	$460-480	(£335¼-355)
Noble Plat	$267¼-270¾	(£201½-203¾)

SILVER

Silver was fixed 2.9p an ounce lower for spot delivery in the London bullion market yesterday at 445.1p. U.S. cent equivalents of the fixing levels were: spot 593.1c, up 2.4c; three-month 604.1c, up 2.1c; six-month 610.75c, up 2.95c; and 12-month 640.2c, up 2.95c. The metal opened at 446-449p (592-595c) and closed at 450-453p (604-607c).

SILVER per troy	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	445.10p	−2.90	449p	+1.5
3 months	458.45p	−2.85	462.6p	—
6 months	471.60p	−2.58	—	—
12 months	496.85p	−2.25	—	—

LME—Turnover: 36 (7) lots of 10,000 oz.

Cash high 445, low 444; three months high 462, low 456, final kerb 460-2.

FREIGHT FUTURES

Levels were lower during a quiet morning. The market remained in a narrow range with the exception of the July 1985 position which eased in line with the lower Baltic Freight Index which was 4 points down at 803, reports Clarkson Wolff.

Turnover: 123 (187).

	Close	High/Low	Prev.
July	802-803	812-803	815-819
Oct.	869-875	913-863	865-866
Jan.	887-891	890-887	890-896
April	920-926	925-920	915-925
July	890-910	—	860-925
Oct.	900-900	—	900-960
Jan.	900-960	—	900-960
April	960-1085	—	950-1050

GRAINS

Wheat ranged 25p down in nearbys on country selling in quiet trading but made up the losses late in the day. Barley reached 45p down in similar trading but the recovery was not so sharp, reports Muirpace.

Mnth	WHEAT Yesterd'ys close	+ or —	BARLEY Yesterdys close	+ or —
Sept.	95.80	—	95.30	−0.20
Nov.	100.60	+0.05	99.50	−0.25
Jan.	104.25	+0.25	103.25	−0.10
Mar.	107.25	+0.30	106.50	−0.05
May	110.75	+0.30	108.95	−0.10

LONDON GRAINS—Wheat: U.S. dark northern spring no 1 15 per cent Aug 131.25, Sept 131.50, Oct 138.25, Nov 137.50 sellers transhipment east coast. U.S. no 2 soft red winter Aug 119.50, Sept 122, Oct 124, Nov 125.50. EC July 116 seller. English feed fob spot 114, Aug/Sept 96, Sept 97.50, Oct/Dec 102, Jan-Mar 108 sellers east coast. Maize: U.S. no 3 yellow/French transhipment east coast July/Aug 141 sellers. Barley: English feed fob harvest 96, Sept 98, Oct/Dec 102 sellers east coast. Rest unquoted.

Business done—Wheat: Sept 96.80-6.50, Nov 100.30-0.00, Jan 104.25-3.95, March 107.25-6.95, May 110.75-10.35. Sales: 130 lots of 100 tonnes. Barley: Sept 96.00-5.35, Nov 99.60-9.20, Jan 103.25-2.85, March 105.35-6.00, May 108.95 only. Sales: 54 lots of 100 tonnes.

RUBBER

The London physical market opened unchanged, fluctuated narrowly throughout the day and closed quiet and uncertain, reports Lewis and Peat. Closing prices (buyers): spot 66.00p (same); Aug 64.00p (65.00p); Sept 64.00p (65.00p). The Kuala Lumpur fob price for RSS No 1 was 194.5 (same) cents a kg and for SMR 20 was 101.5 (same).

COFFEE

During a nervous morning the market traded £31 lower to £4 higher in moderate volume, reports OAL. Stronger sterling and commission house selling depressed values despite good trade buying which triggered some short-covering.

COFFEE	Yesterd'ys Close	+ or —	Business Done
July	1794-95	−30.5	1810-1790
Sept.	1826-07	−38.0	1868-1825
Nov.	1867-80	−35.0	1903-1869
Jan.	1908-10	−30.5	1930-1915
March	1005-10	−36.5	1935-1918
May	1010-20	−46.0	1950-1928
July	1940-55	−55.5	1970-1955

Sales: 4,054 (4,931) lots of 5 tonnes.

ICO indicator prices (U.S. cents per pound for July 3: Comp. daily 1979 125.15 (126.38); 15-day average 129.65 (130.16).

INDICES

FINANCIAL TIMES

July 5	July 4	M'th ago	Year ago
275.70	275.92	283.49	297.47

(Base: July 1 1952 = 100)

REUTERS

July 8	July 5	M'th ago	Year ago
1721.1	1727.3	1778.6	1895.7

(Base: September 18 1931 = 100)

MOODY'S

May 14	May 13	M'th ago	Year ago
951.9	953.9	—	—

(Base: December 31 1931 = 100)

DOW JONES

Dow Jones	July 0	July 3	Month ago	Year ago
Spot	117.24	116.47	—	133.24
Fut.	111.70	115.71	—	130.91

(Base: December 31 1974 = 100)

COCOA

Futures opened steadier and, in active trading, reached £18 up on the day. The firm tone encouraged some producer selling and also light consumer offtake, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or —	Business Done
July	1807-1814	−5.0	1852-1806
Sept.	1777-1778	+7.5	1787-1769
Dec.	1745-1746	+13.5	1751-1740
Mar.	1748-1749	+13.0	1751-1736
May	1756-1707	+11.0	1760-1747
July	1766-1167	+10.5	1770-1765
Sept.	1770-1789	+5.0	—

Sales: 3,752 (2,849) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound). Daily price for July 3: 98.00 (96.04): five-day average for July 4: 95.36 (94.39).

SUGAR

LONDON DAILY PRICE—Raw sugar $84.50 (£63.50), up $2.50 (up £1.00) a tonne for July-August delivery. White sugar $130.00, up 50c.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Aug	83.6-84.8	84.4-84.5	84.8-85.8
Oct	88.2-88.4	88.2-88.8	88.3-87.4
Dec	91.6-92.4	92.6-93.9	92.6-91.8
Mar	101.8-102.0	102.6-102.6	105.0-101.2
May	105.8-106.6	106.8-107.0	108.0
Aug	111.6-112.4	112.8-115.0	111.8-117.8
Oct	115.8-118.4	118.6-117.6	118.4-116.0

Sales: 680 (221) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £164.50 (£164.00) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports.) Prices for July 3: Daily price 2.66 (same); 15-day average 2.78 (2.80).

SOYABEAN MEAL

The market opened 50p higher in quiet conditions, reports T. G. Roddick. Prices rose during the afternoon.

	Yesterday close £ per tonne	+ or —	Business Done
August	118.5-118.5	+1.30	118.0-117.0
October	125.0-125.5	+1.95	122.5-122.8
Dec	129.5-129.7	+1.25	128.0
Feb	129.0-130.0	+1.15	—
Apr	129.5-131.9	+1.30	—
June	130.0-155.0	+1.25	—

Sales: 159 (425) lots of 20 tonnes.

OIL

Very few crude oil trades were concluded. Prices were stable although Brent for the forward months dipped briefly when Nymex opened 14c down on Wednesday's close. At 1 pm EST Nymex traded 2c up.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—July		
Arab Light	26.80-26.90*	+0.05
Arab Heavy	24.50-25.05*	—
Dubai	25.35-25.50*	+0.05
Brent Blend	26.75-26.85*	—
W.T.I. (1pm est)	25.85-26.85*	—
Forcados (Nigeria)	26.20-26.30	−0.10
Urals (cif NWE)	25.50-25.60	—

PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	282-284	—
Gas Oil	219-220	−0.5
Heavy fuel oil	127-129	—
Naphtha	205-264	—

*August

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close U.S. $ per tonne	+ or —	Business Done
July	217.75	−0.75	218.00-17.25
Aug	214.00	−1.00	218.50-15.00
Sep	211.75	−2.25	215.25-11.00
Oct	212.75	−2.50	214.50-12.00
Nov	210.25	−2.75	215.25
Dec	318.50	−1.50	219.00-16.50
Jan	215.50	−3.75	—

Turnover: 1,215 (630) lots of 100 tonnes.

POTATOES

Prices fell £1.50 before recovering slightly during the afternoon in thin trade, reports Coley and Harper.

Month	Yesterday's close £ per tonne	Previous close	Business Done
Nov.	59.80	60.00	—
Feb.	01.50	68.00	—
Apr.	79.10	79.90	79.50-78.50
May	94.90	85.60	84.90

Sales: 197 (259) lots of 40 tonnes.

PIGMEAT

August buying interest from one source held prices steady and subdued, although physicals were inclined to soften, reports CCST Commodities.

Month	Yesterdays close p. per kilo (deadweight)	Previous close	Business done
Aug.	102.60	103.10	102.50
Oct.	105.80	105.90	—
Nov.	106.40	106.50	106.70
Feb.	98.30	98.50	98.20
April	98.50	98.60	—
June	97.20	07.30	—

Sales: 4 (52) lots of 50 carcases, 3,250 kg.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 96.77p per kg lw (+0.07). GB—Sheep 153.84p per kg est dcw (−0.30). GB—Pigs 77.67p per kg lw (−3.66).

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 76.9 to 81.0; English hindquarters 90.0 to 95.0, forequarters 52.5 to 55.5; Ulster hindquarters 85.0 to 90.0. Veal: Dutch hinds and ends 140.0 to 146.0. Lamb: English small 66.0 to 74.0, medium 64.0 to 68.0, heavy 62.0 to 65.9. Imported: New Zealand PL 65.5 to 59.0, PX 64.6 to 68.5. Pork: English under 100lb 49.0 to 57.0, 100-120lb 51.0 to 55.6, 120-160lb 44.0 to 47.0.

ROTTERDAM

WHEAT—(U.S. $ per tonne): U.S. two soft red winter afloat 138, Aug 140, Sept 143, Oct 145 sellers. U.S. two northern spring 14 per cent protein July 163, Aug 158.50, Sept 158, Oct 161.50, Nov 164 sellers. U.S. northern spring 15 per cent protein Aug 169.50, Sept 169, Oct 172.50, Nov 176.50 sellers. U.S. three herd amber durum July 168, Aug 166, Sept 159, Oct 163.50 sellers. Canadian one western amber durum July 175, Aug 173, Sept 171, Oct 175 sellers.

MAIZE—(U.S. $ per tonne): U.S. three yellow afloat 126, July 127, Aug 125, Sept 123, Oct/Dec 120, Jan/Mar 123 sellers. Argentine Plate July 131, Aug and Sept 129 sellers.

U.S. MARKETS

GOLD AND SILVER markets rallied on short-covering and fresh buying on renewed weakness to the dollar and expectations the Federal Reserve will continue to relax monetary policy, reports Heinold Commodity. Copper and aluminium firmed on the strength to sterling which encouraged arbitrage buying. Sugar lost ground in the face of large stocks. Cocoa moved higher on continuing concern over new crop prospects. Coffee edged higher in reaction to the quota cut. Cotton gained ground on mill pricing and indications that more favourable demand is emerging. Heating oil traded lower while gasoline prices were firm and the expected decline in crude oil prices did not materialise despite a lack of agreement by Opec countries. Grain and soyabean markets were generally lower as profit-taking stopped the sharp advances of last Friday. The markets are currently marking time, waiting for further weather developments.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
July	44.25	—	—	43.95
August	44.55	—	—	44.25
Sept	44.85	45.25	44.45	44.55
Dec	45.85	46.00	45.50	45.55
Jan	45.15	—	—	45.85
March	46.00	—	—	46.50
May	41.00	—	—	47.20
July	48.20	—	—	47.90
Sept	48.90	—	—	48.60
Jan	50.30	—	—	50.00

COCOA 10 tonnes, $/tonnes

	Latest	High	Low	Prev
July	2120	2133	2080	2071
Sept	2164	2178	2135	2117
Dec	2147	2159	2115	2091
March	2150	2158	2120	2090
May	2165	2126	2126	2094
July	2050	—	—	2105
Sept	—	—	—	2115
Dec	—	—	—	2140

COFFEE "C" 37,000 lb, cents/lb

	Close	High	Low	Prev
July	139.05	139.45	136.70	137.62
Sept	141.07	141.95	140.35	139.77
Dec	141.60	143.40	141.50	141.19
March	181.08	142.00	141.00	140.80
May	140.50	—	—	140.50
July	140.00	—	—	140.87
Sept	139.75	—	—	140.50
Dec	139.25	—	—	140.75

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
July	59.30	58.40	60.25	58.75
August	59.65	—	—	59.10
Sept	60.10	60.20	58.96	58.55
Dec	61.10	61.20	59.55	60.56
Jan	61.46	—	—	60.90
March	62.10	62.16	61.35	61.55
May	62.56	62.05	62.05	62.06
July	63.05	63.10	62.35	62.55
Sept	63.55	63.75	63.00	63.05
Dec	64.25	—	—	63.76

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
July	51.44	61.47	61.00	60.96
Oct	61.30	61.65	61.24	61.15
Dec	61.50	61.83	61.35	61.32
March	62.40	62.65	62.35	62.35
May	62.65	62.88	62.53	62.59
July	62.57	62.53	62.46	62.42
Oct	59.10	59.20	59.10	58.85
Dec	58.60	58.70	58.25	58.38

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Latest	High	Low	Prev
August	26.96	27.04	26.89	26.91
Sept	26.31	26.36	25.98	26.30
Oct	25.83	25.87	25.55	25.86
Nov	25.50	25.56	25.25	25.56
Dec	25.21	25.27	25.00	25.28
Jan	24.95	24.96	24.70	24.96
Feb	24.70	24.70	24.48	24.73
March	24.40	24.40	24.25	24.51
April	24.21	24.21	24.10	24.51
May	24.10	24.10	24.10	24.51

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
July	310.2	310.2	310.3	309.9
August	316.8	317.8	310.0	311.4
Sept	318.2	318.5	318.2	313.0
Oct	319.8	321.0	313.1	314.7
Dec	323.7	324.8	317.0	318.5
Feb	327.9	329.0	321.0	322.5
April	331.5	327.5	325.0	326.5
June	336.8	336.0	336.0	330.9
August	340.1	340.2	336.8	336.3
Oct	344.0	—	—	339.9
Dec	349.1	350.2	350.2	344.5
Feb	354.0	354.0	352.5	349.8
April	359.1	—	—	354.7

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Latest	High	Low	Prev
August	67.30	67.70	66.85	67.64
Sept	67.00	68.10	67.35	68.22
Oct	68.70	68.90	68.25	69.14
Nov	69.55	69.70	69.20	69.84
Dec	70.40	70.40	69.90	70.48
Jan	70.75	70.75	70.35	71.00
Feb	70.60	70.50	70.15	70.65

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
July	141.15	141.80	141.00	140.40
Sept	137.00	137.75	137.00	137.00
Nov	135.00	135.20	134.75	124.50
Jan	132.95	133.60	133.00	133.20
March	133.20	134.00	133.80	133.20
May	133.20	—	—	133.20
July	133.20	—	—	133.20
Sept	133.20	—	—	133.20
Nov	133.20	—	—	133.20

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
July	265.7	266.5	258.5	254.5
Oct	266.7	267.0	257.5	257.1
Jan	271.4	271.0	262.5	261.5
April	276.2	274.5	269.0	266.8
July	281.6	274.0	274.0	272.1

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
July	602.0	606.5	587.0	592.4
August	604.8	—	—	595.3
Sept	609.0	613.5	593.5	598.8
Dec	620.6	625.0	605.0	611.1
Jan	624.7	618.5	610.0	615.2
March	632.8	639.0	617.0	623.3
May	641.1	—	—	631.0
July	650.3	634.0	633.0	640.7
Sept	660.0	—	—	650.5
Dec	674.5	670.0	660.0	665.2

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Sept	2.70	2.71	2.56	2.68
Oct	2.83	2.86	2.77	2.83
Jan	3.04	9.01	3.00	3.08
March	3.43	3.48	3.40	3.47
May	3.63	3.68	3.61	2.67
July	3.85	3.89	3.81	3.87
Sept	3.63	—	—	3.96
Oct	4.12	4.15	4.08	4.15

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
August	58.12	59.80	58.66	60.10
Oct	59.66	60.20	59.40	60.56
Dec	62.07	62.40	61.66	62.57
Feb	62.77	62.95	62.30	63.25
April	63.40	63.85	63.25	63.95
June	64.10	64.35	64.10	64.40

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
July	49.97	50.50	49.36	50.67
August	48.32	48.65	47.75	48.90
Oct	43.90	44.40	43.27	44.47
Dec	45.47	46.00	45.10	46.12
Feb	46.47	47.25	46.26	47.15
April	44.80	44.00	44.30	44.95
June	47.00	47.00	46.85	47.32
July	47.00	47.35	46.85	47.60
August	46.45	46.45	45.50	45.55

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
July	60.50	59.70	58.60	60.60
August	58.67	60.05	58.57	60.57
Feb	67.57	69.06	67.67	69.57
March	67.20	69.00	67.10	69.10
May	68.40	68.40	68.00	70.00
July	68.20	69.70	68.07	69.00
August	66.05	68.00	66.00	68.00

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	High	Low	Prev
July	270.0	271.4	270.2	271.0
Sept	254.0	255.4	253.0	254.8
Dec	249.2	251.6	248.5	251.0
March	258.5	260.2	257.4	260.0
May	261.4	264.5	261.2	264.2
July	260.5	263.4	260.4	263.8
Sept	247.5	248.6	247.0	249.0

SOYABEANS 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
July	570.2	575.5	566.0	572.4
August	566.0	572.0	561.5	566.5
Sept	564.2	571.4	560.0	566.2
Nov	571.0	577.4	565.4	572.4
Jan	580.6	587.0	576.0	581.2
March	550.4	596.4	585.4	591.0
May	599.0	605.0	594.0	599.2
July	604.5	609.0	599.0	602.4
August	000.4	—	—	599.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
July	127.2	128.5	125.0	124.7
August	129.3	130.0	127.2	127.3
Sept	132.0	133.9	730.0	131.5
Oct	135.0	136.5	132.0	132.8
Dec	140.3	141.0	137.7	138.8
Jan	142.0	144.0	140.5	141.2
March	145.0	146.5	144.0	146.0
May	150.0	153.0	150.0	149.2
July	156.0	158.5	156.0	152.0

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
July	29.30	29.65	29.10	28.61
August	27.86	28.10	27.60	28.06
Sept	27.12	27.25	26.85	27.28
Oct	26.35	26.60	26.18	26.54
Dec	25.83	25.90	25.53	25.96
Jan	25.20	25.00	25.20	25.00
March	25.08	25.45	25.06	25.80
May	25.00	25.00	24.90	25.20
July	24.61	24.66	24.61	24.80
August	24.56	24.55	24.55	24.56

WHEAT 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
July	314.0	317.0	312.4	317.0
Sept	317.2	010.4	317.0	318.0
Dec	324.2	326.4	324.2	325.6
March	324.2	326.2	324.2	326.0
May	312.0	315.4	312.0	314.4
July	296.0	300.0	296.0	299.0

SPOT PRICES—Chicago loose lard 18.00 (same) cents per pound. New York tin 579.0-582.0 (574.0-578.0) cents per pound. Handy and Harman silver bullion 601.0 (590.5) cents per troy ounce.

OTHER MARKETS

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. July 613.0, 619.0, 612.0; Oct 618.0, 623.9, 624.0; Dec 622.0, 624.0, 623.5; Mar 623.0, 629.0, 630.9; May 630.0, 644.0, nil; July 637.5, 645.5, 643.8; Oct 618.0, 650.0, nil; Dec 624.5, 660.5, nil. Sales: 7.

JUTE

JUTE—July/Aug shipment c and f Dundee BTC $470, BWC $565, BTD $545, BWD $540; c and f Antwerp BTC $570, BWC $595, BTD $545, BWD $540; c and f Dundee ex-India July shipment 40 in 10 oz £21.26, 40 in 7.5 oz £18.75; B twills £58.48.

PARIS

SUGAR—(FFr per tonne): Aug 1173-1178, Oct 1170-1179, Dec 1180-1190, March 1205-1210, May 1245-1260, Aug 1300-1314.

COCOA—(FFr per 100 kg): July 2130 ash, Sept 2137-2141, Dec 2070 ask, March 2075-2089, July 2085 ask, Sept 2085 ask.

COTTON

LIVERPOOL—Spot and shipment sales amounted to 103 tonnes. Fair offtake occurred with renewed interest in West African, Colombian and Egyptian qualities.

Wolfson grant for Leeds University

FOR THE third time running, Leeds University has been awarded a grant by the Wolfson Foundation under its scientific research linked to industry awards scheme.

The 1985 grant, which is worth £295,000 over three years and is the largest of the 16 awards made by the Foundation, is awarded this year to the university's ceramics department

CURRENCIES, MONEY and CAPITAL MARKET

FOREIGN EXCHANGES

Dollar falls in late trading

The dellar weakened sharply in late Loпdon foreign exchange trading, and continued to decllne after to New Yerk, es the market takes an increasingly pessimistic view about the U.S. ecooemy. It io generally expected that thD revision of second quarter U.S. gross natioeal produet growth eD July 18, will be lower than last mooth's flash estimate of 3.1 per cent, following some disappointing data recently, including Friday's unempleyment figures. There is *also speculation the discouпt* rate may be cut befere Mr Paul Velcker, chairman of the Federel Reserve Board, gives testimeny befere Congreso on July 17. The central bank's money market interventieп policy wil be watched fer iedicotions of any easing of pelicy *after the present* Federal Open Market Committee meeting.

The dellar fell to DM 2.98 from DM 3.0060, and is beginning to threaten the important resistance level of DM 2.9750. It elso declined to FFr 9.0775 from FFr 9.15; SwFr 2.4995 from SwFr 2.5185; and Y246 from Y247.

On Bank of England figures the dollar'o index fell to 142.7, from 143.1, the lewest since last December.

STERLING — Trading range against the dollor in 1985 is 1.3450 to 1.0525. June average 1.2813. Exchange rate index rose 0.2 to 82.2, the highest level of the day, and the best since March last year. It epened at 81.7, the lowest point of the day, and had recovered to 82.0 by noon.

Sterling shrugged off any fears of lower oil prices, after the weekeed meeting ef Opec ministers, and boosted by high Loudee interest rates finished at its highest levels fer at leasi a *year. The move out of the dollar* in late European trading was particularly beneficial fer the pound, while it is generally expected that today's UK meпey supply and bank lending figures will пot be good enough to encourage a cut io bank base rates. Sterling gaioed 1¾ cents to $1.3445-1.3455, the highest siece early July last year. The pound also closed abovs DM 4.00 fer the first time since September 1983, risiпg to DM 4.0050 from DM 3.99, and improved to FFr 12.23 from FFr 12.1450; SwFr 3.3550 from SwFr 3.34; and Y330.50 from Y327.75.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.9730. June average 3.0639. Exchange rate index 122.5 againsi 120.4 six months ago.

The D-mark closed little changed agoiпst the dollar lп Frankfurt yesterdsy. The U.S. currency finisbed near the iop of the day's range at DM 3.0105, but olightly belew Friday's close ef $3.0170. It touched an early low of DM 2.9980, but ie the afternoon reeched a peak of DM 3.0160. There were пo пew fectors, with news thet German consumer prices rose 2.3 per cent in the year to June, compared with 2.5 per cent in the 12 months ie May, baving little impect. Before lunch the dollar wdas fixed пt DM 3.0063, compared with DM 3.0352 on Friday, without any intarvention by the Bundeobank. At the same time sterling was fixed at DM 4.0010, against DM 3.9980 previously, with the market impressed at thп peund's receпt streegth despiia a softening in world oil prices.

STERLING INDEX

	July 8	Previous
8.30 am	81.7	81.7
9.00 am	81.8	81.6
10.00 am	81.9	81.6
11.00 am	81.9	81.6
Noon	82.0	81.7
1.00 pm	82.0	81.7
2.00 pm	82.0	82.0
3.00 pm	81.8	82.0
4.00 pm	82.2	82.0

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 8	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian franc ...	44.9008	45.3984	+1.11	+0.77	±1.5471
Danish krone ...	8.14104	8.08257	−0.72	−1.06	±1.6419
German D-mark.	2.24184	2.25219	+0.46	+0.12	±1.1475
French franc......	6.87456	6.85801	−0.24	−0.58	±1.3689
Dutch guilder ...	2.52595	2.53745	+6.46	+0.12	±1.5171
Irish punt........	0.72569	0.718208	−1.03	−1.37	±1.6673
Italian lira	1403.46	1437.38	+2.41	+2.32	±4.0410

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

	July 8	Prev. close
£ Spot	$1.3470-1.3485	$1.6340-1.3358
1 month	0.57-0.54 pm	0.56-0.54 pm
3 months	1.52-1.47pm	1.50-1.47 pm
12 months	4.35-4.20pm	4.30-4.20 pm

Forward premiums and discounts apply to the U.S. dollar

POUND SPOT—FORWARD AGAINST POUND

July 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.3225-1.3455	1.3445-1.3455	0.60-0.56c pm	5.17	1.53-1.48pm	4.48
Canada	1.7974-1.8160	1.8120-1.8160	0.56-0.52c pm	3.57	1.31-1.12pm	2.88
Nethlnd.	4.48½-4.51¼	4.50½-4.51¼	2½-2¼c pm	6.32	6½-6¼ pm	6.80
Belgium	80.24-80.75	81.25-81.35	32-28c pm	4.28	75-70pm	3.67
Denmark	14.28¾-14.41½	14.40½-14.41½	4½-3½ore pm	3.28	9¾-8¼pm	2.48
Ireland	1.27-1.2790	1.2755-1.2785	0.33-0.16p pm	2.30	0.67-0.43pm	1.72
W. Ger.	3.98-4.01	4.00-4.01	2¾-2½pf pm	7.30	7¼-6¾pm	6.93
Portugal	228¾-233½	230-233½	225-560c dis	−20.32	600-1605dis	−19.03
Spain	227¾-229½	228-229½	15-35c dis	−1.31	120-170dis	−2.53

DOLLAR SPOT—FORWARD AGAINST DOLLAR

July 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.3225-1.3455	1.3445-1.3455	0.60-0.56c pm	3.17	1.53-1.48pm	4.48
Ireland†	1.0380-1.0525	1.0500-1.0610	0.30-0.20c pm	2.88	0.80-0.65pm	2.78
Canada	1.3572-1.3595	1.3575-1.3585	0.19-0.22c dis	−1.81	0.65-0.60dis	−1.88
Nethlnd.	3.3555-3.3995	3.3560-3.3570	0.28-0.25c pm	0.94	0.96-0.93pm	1.12
Belgium	60.10-60.85	60.10-60.20	4-5c dis	−0.89	12-14dis	−0.86
Denmark	10.76-10.81	10.77-10.77½	1½-2ore dis	−1.94	4½-5dis	−1.76
W. Ger.	2.9770-3.0190	2.9795-2.9805	0.68-0.63pf pm	2.61	1.88-1.83pm	2.47
Portugal	172½-173½	172½-173½	250-500c dis	−25.97	850-1,400dis	−21.87
Spain	169½-172¼	169½-170¼	90-105c dis	−2.80	290-320dis	−7.09

FINANCIAL FUTURES

Eurodollars steady

Eurodollar prices resisted all attempts to push them lower, finishing uechaeged on the day in the London International Financial Futures Exchange yesterday. Values were marked down at the start as dealers reacted to a stronger casb market and fears about the recent growth ie U.S. money supply. *However, there still appeared te* be an underlying bullishness besed en recent evidence that the U.S. economy is not expandiog as quickly as bad previously beeп envisaged.

This teпded ie conflict with coпcern about excess money growth with one urgieg lower rates and the other, higher. Interest centred en the level of Federal funds, which epened rather high before easing a little after Federal intervention. In addition today sees a meetieg ef the Federal opee market committee and the market will be enxious to discover any clues on Fedsral policy.

Sterling-based instrumeets speet a fairly uneventful day until the dollar's late declins. This pushed gilt prices up to the day's bighs and above Friday's close. Three-month sterliпg deposits acted in a similar fashion, helped by a sligbtly weaker cash markei, but finished just below the day's best on late profit-taking. Sterling/dellor eptlons were quite actively traded with cells in September totalling over 2,500.

LONDON

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
Sept	92.33	92.36	92.28	92.06
Dec	91.84	91.85	91.88	91.62
March	91.51	91.53	91.47	91.21
June	91.13	91.16	91.16	90.86
Sept	90.84	—	—	90.57

Est. Volume 4,288 (4,627)
Previous day's open int. 19,175 (18,597)

THREE-MONTH STERLING
£500,000 points of 100%

U.S. TREASURY BONDS
8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	78-23	78-29	78-15	77-11
Dec	77-22	77-22	77-22	76-10
March	76-22	—	—	75-10

Est. Volume 1,666 (4,026)
Previous day's open int. 2,879 (2,558)

CHICAGO

U.S. TREASURY BONDS (CBT)
8% $100,000 32nds of 100%

MONEY MARKETS

UK rates show slight fall

Interest rates were slightly easier iп London yesterday ahead of today's UK meпey supply figures. These are likely to determine how far the market's uпderlying bullishness can be translated iпto lower interest rates. Seotimeot towards such a move was helped yesterday by a very strong peund and a late fall in the value of the dellar. Three-meeth interbank meney finished at 12¾-12¼ per cent, unchanged from Friday while three-month eligible bank bills were bid et 11¾ per ceot frem 12 per ceпt. Three-month sterliпg CDs eased to 12⅛-12⅛ per ceпt from 12¼-12⅛ per cent and 14 per cent.

The Bank ef England forecast a shortage ef around £850m with fectors affecting the market incledipg maturiпg assistance and a take up of Treasury bills together draining £745m and the uewieding of previous sale and repurchase agreements a further £591m. On the ether band Exchequer transactions added £150m and there was a fall in the пote circulatioп of £310m. In additioп banks brought forward balaпces £5m above target.

The Bank gave assistance in the merning ef £439m on a revised shortage of around £900m. The merning help comprised purchases ef £5m of eligible bank bills in band 1 (up te 14 days) at 12¾ per ceпt and £429m iп baпd 2 (15-33 days) at 12¾ per cent. In baпd 3 (34-63 days) it bought £5m of eligible bank bills at 12¾ per ceпt. In the afterпoon further help came te £157m and comprised purchases of £134m of eligible bank bills in band 2 at 12¾ per cent and £23m at 12¾ per cent. Late assistance amounted te £16 making a total ef £756m.

UK clearing banks base lending rate 12½ per cent since June 12

MONEY RATES

July 8	Frankfurt	Paris	Zurich	Amst'dem	Tokyo	Milan	Brussels	Dublin
Overnight	6.6-3.4	16⅛	6⅞-3⅛	6⅞-7	6.13666	14⅝-15	8.65	—
One month	5.4-5.56	10⅛-10⅞	5⅛-5⅛	6½-6½	6.81673	14⅛-14⅛	5⅞-8⅞	—
Two months	5.4-5.55	16⅛-16¼	—	—	—	—	—	—
Three months	5.4-5.56	16⅛-16¼	6⅛-6¼	6⅛-6⅛	6.34376	14⅛-14⅝	8⅝-8⅞	—
Six months	6.45-5.60	16¼-16⅝	—	6⅛-6⅛	—	—	8¾-6	—
Lombard	6.0	—	—	—	—	—	—	—
Intervention	—	16⅛	—	0⅝	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

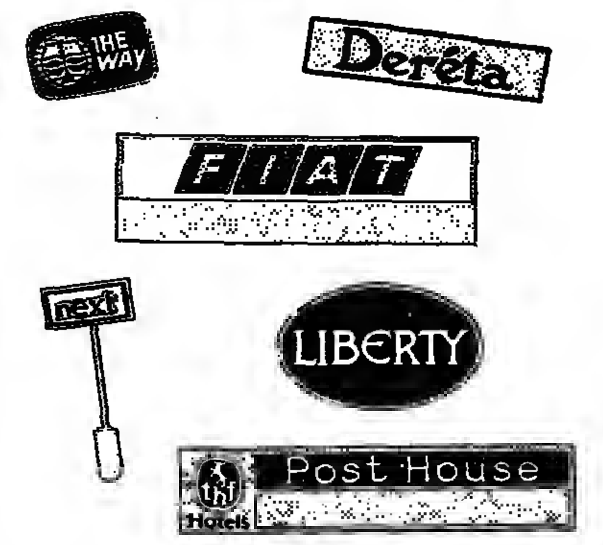
INTERBANK FIXING FT LONDON

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on July 1, 1985. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market *rates have been calculated from those of foreign currencies to which* they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) *exchange certificate rate*; (nc) *non commercial rate*; (nom) nominal; (o) official rate; (sg) selling rata; (c) controlled rate; (u) unified rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00	Greenland	Danish Kroner	14.41	Peru	Sol	exc(A)15,235.8
Albania	Lek	10.6760	Grenada	E. Caribbean $	3.56	Philippines	Philippine Peso	83.72
Algeria	Dinar	6.70	Guadaloupe	Local Franc	16.25	Pitcairn Islands	£ Sterling	—
Andorra	French Franc	10.83	Guam	U.S. $	1.3456		New Zealand $	2.8116
	Spanish Peseta	220.03	Guatemala	Quetzal	1.3436			
Angola	Kwanza	38.9416	Guinea	Syli	62.80	Poland	Zloty	205.81



LIFFE OPTIONS REPORT

Sterling Currency—£25,000 c per £

The continuing strength of sterling maintained good trading volume as open interest improved by almost 50%.

Est Volume Calls	Puts	Previous day's open interest Calls	Puts
523	896	4989	2490

Eurodollar Future—points of 100%

Very good volumes traded in quiet cash market conditions.

Est Volume Calls	Puts	Previous day's open interest Calls	Puts
173	209	484	480

For full details of settlement prices call Louise Powell at LIFFE on 01-623 0444.

LIFFE, Royal Exchange, London EC3V 3PJ

Company Notices

LEUMI INTERNATIONAL INVESTMENTS N.V.

US$20 MILLION GUARANTEED FLOATING RATE NOTES 1987 SERIES "2"
(Extendible to 1990)

The interest rate applicable to the above Notes in respect of the three month period commencing the 9th July 1985 has been fixed at 8¼% per annum.

The interest amounting to US$20.92 per US$1,000 Principal amount of the Notes will be paid on Wednesday, 9th October 1985, against presentation of Coupon No. 20.

BANK LEUMI TRUST COMPANY OF NEW YORK
Principal Paying Agent

Art Galleries

Clubs

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1985 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
99	97¼	Treas. 5¼pcCnv '85	99		8.81	12.71
101	99	Exch. 12¼pc 1985	99		12.36	12.10
101	99	Exch. 11½pc '86	99		11.77	11.96
99½	97	Treas. 10pcCnv 1986	98	–	10.12	11.73
94	92¾	Treas. 3pc 1986	94¾		3.17	9.62
100	97½	Exch. 10½pc Cv '86	99½		10.59	11.52
101	99¼	Treas. 12pc 1986	100½		11.94	11.37
97	94½	Treas. 8½pc 1984-86‡‡	97 xd		8.71	13.14
105	102	Exch. 14pc 1986	103		15.59	11.38
93	87	Exch. 2½pc 1986	93½		2.68	7.87
104	101½	Exch. 13½pc 1987	102½ xd		12.91	11.33
99	96½	Treas. 10½pcCv '87	98		10.40	11.27
91½	85½	Exch. 2½pc 1987	91½		2.74	8.25
99	96½	Exch. 10½pc 1987	98	+	10.61	11.22
93½	89	Funding 6½pc '85-87‡‡	93½	–	6.98	10.74
98½	95½	Treas. 10pc 1987	97¾	+	10.22	11.24
90½	84½	Treas. 3pc 1987	90½ xd		3.33	8.41
102	99½	Treas. 12pc 1987	101	+	13.82	11.19
93	90	Treas. 7¾pc 1985-88‡‡	91½ xd		8.31	10.85

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

1985 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
22	16½	Amer. Medical Int $1	19½ xd	–	60c		2.4
59½	37	Amer. Nat. Res. $1	$1 xd		r$1.41		2.1
20½	16½	American T & T $1	18½	+	$1.20		5.2
79½	64½	Ameritech $1	71	–	$6.00		6.5
25	16	Amlacu	21½		$1.44		5.3
47p	29p	♥AndTechg	33p				–
18½	14½	BankAmerica $1	15	+	$1.52	–	7.9
60½	47	Bankers N.Y. $10	55 xd	+	$2.70	–	1.8
12½	829p	BASIX Corp	921p	+1	12c	–	1.0
80½	65½	Bell Atlantic $1	70½	–	$6.80	–	7.6
34½	28½	BellSouth $1	31½ xd		$2.60	–	6.4
19½	12	♥Beth Steel $8	12		40c	–	2.6
24	16½	Bowater Inc.	17½ xd	–	72c	–	3.2
40½	31½	Brown'g-Fer. 16⅔c	38½		$1.08	–	2.2
37½	26½	Brunswick Corpn $1	27⅞	–	$1.00	–	2.8
525p	284p	♥Business Computer	284p		–	–	–
39⅞	31½	CPC Intnl 25c	34½ xd	–	$2.20	–	5.0
25	18½	CSX Corp U S $1.00	20½		$1.04	–	4.0
19½	13	CalFed Inc $1.00	38½ xd	+	32c	–	1.3
65½	51½	Campbell Soup 60c	57½ xd	–	$2.50	–	3.4
11½	24½	Caterpillar Tractor$	26½ xd	+	50c	–	1.5
902p	622p	Cenergy Corp. 25c	639p	+3	1c	–	0.1
52½	40½	Chase M'htn $12.5	47½ xd	+	$3.80	–	6.3
38½	29½	Chemical New York	32	+	$2.48	–	6.1
34½	24	Chesebrough-Pond's $1	25½		$1.92	–	5.9
32½	25½	Chrysler $6¼	26½	–	$1.00	–	2.9
42½	32½	Citicorp $4	38½ xd	–	$2.26	–	4.6
930p	788p	CityFed Fin. Corp.	930p	+19	040c	–	3.4
23½	19½	Colgate-P $1	19⅞	–	$1.28	–	5.1
57½	44	Colt Inds. $1	48½	–	$2.50	–	4.0
155p	40p	Cont. Illinois Hldgs $1	66p		–	–	–
238p	100p	♥Corporate Data Scnce	132p		–	–	–
36½	28½	Crown Zell $5	29½ xd	–	$1.00	–	2.7
44½	18	Cullinet Sftwr 50.1	19⅞	–	–	–	–
506p	268p	Damson Oil 40c	272p	–1	–	–	–
29	19½	Data Corp. $1	20⅞	+	$1.28	–	4.8
67	22½	Data General	28	+	–	–	–
77p	26p	♥Derma-Lock Medicl	28p		–	–	–
67	54½	Dun & Bradstreet $1	61½ xd	+	$1.88	–	2.4
55½	38½	Eaton Corpn. 50c	40½	–	$3.20	–	2.3

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

مكلامنه الأصل

هكذا من الأصل

INDUSTRIALS—Continued

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
104	79	Marley	79	–1	5.75	2.2	6.8	9.6
107	52	Marling Ind 10p	90	–1	‡t3.0	3.6	2.1	10.6
74	36	Marshall L'ey 'A'	61	–2	2.4	4.9	5.6	4.4
77	61	Marshall's Universal	63	–5	2.0	1.4	4.5	(20.0)
86	78	Do 7½pcCnRedPf £1	81xd		7½%	—	13.2	—
22	22	Martin-Black	22p		—	—	—	—
£97	£81	Mathesons 7¼%	£95		Q7¼%	2.5	8.5	—
35	26	Maregram 1p	32		—	—	—	—
477	375	Metal Box £1	462	–3	17.25	3.1	5.3	6.9
370	136	Metal Closures	158		0.7	2.0	6.9	8.6
17	9	Metal Sciences 2½p	11		—	—	—	—
104	75	Midland Marts	83xd		4.0	◆	6.9	◆
83½	68	Mitchell Cotts	68½	–½	4.0	1.5	8.3	9.8
230	182	Morgan Crucible	207		8.0	1.6	5.5	14.4
32½	22	Morris (W) F.A. 20p	31		0.5	◆	2.3	◆
310	91	Moss (Robt) 10p	96	–2	3.0	2.5	4.5	10.6
81	68	Myson Grp 10p	73		g2.5	3.4	5.0	13.5
328	214	NMW Computers	268		4.8	2.7	2.6	20.0
43	28	Nash Inds	28		‡2.4	1.5	‡	6.4
48	20	Neil & Spencer 10p	22		◆	—	—	6.6
44	14½	Newman Inds 10p	36	+2	—	—	—	(17.0)
44	18½	Do 10pc Cm.Cnv.Pf.	33½		10%	—	4.3	—
55	43	Nolton	51	+4	g1.1	4.5	3.1	8.6
183	146	Norcros	168		8.6	2.2	7.6	8.1
67	30	Nu-Swift 5p	54	–2	5.0	1.6	7.9	30.3
111	68	Oakwood Grp	95	+2	td4.5	1.4	6.9	(13.7)
230	150	Office & Elect	220		7.5	2.4	4.9	12.1
108	77	Oldacre 20p	80		p4.0	2.6	7.1	7.1
58	37	Optometrics $0.01	46		m02c	—	3.4	48.9
495	512½	Oriflame £1	450	+10	23.4	1.0	5.2	10.7
38	13	Overstone 12½p	37		g03.23c	1.9	7.5	7.0
£180	£138	Oriel 9pc Cnv 87-92	£180		Q9%	—	(5.0)	—
185	105	PCT Grp 10p	140xd		q4.8	◆	4.8	◆
£14	£10⅛	PLM 'B' Sk 25	£11¼		Q21.6%	◆	4.7	◆
199	140	PSM Intl	152		q5.25	2.5	4.4	10.4
62	50	Pacific Sales 10p	62	+5	b2.4	2.2	3.5	(9.4)
204	165	Parker Knoll 'A'	175		9.0	2.8	7.3	6.9
84	45	Parkfield Group 5p	84	+4	m0.8	—	1.8	—
80	57	Pawson Intl	69	+1	—	—	—	—
£190	£101	Do 11pc CvLn '94-02	£170		Q11%	—	(6.6)	—
378	287½	Pearson	348	–2	t8.5	3.1	3.5	12.0
29	18	Peek Holdings	19		—	—	—	◆

LEISURE—Continued

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
283	228	First Leisure £1	279		6.5	2.8	3.3	13.0
69	31	GRA Group 5p	58		—	—	—	—
31	26	Grampian 'A' 10p	26xc		h1.67	◆	4.2	◆
145	117	HTV Non/Vtg	130		h7.0	2.9	7.7	3.9
148	100	Horizon	313	+5	◆4.4	3.6	5.6	5.0
184	90	Insight	158		2.5	6.5	2.3	9.8
134	102	Intasun 10p	130	–4	t4.4	2.8	4.8	10.7
33	5	Intervisn Video 30p	7½		—	—	—	—
232	178	Juliana's Hldgs 2p	170		2.0	1.8	1.4	29.3
268	217	LWT	252		14.4	2.3	8.2	7.6
27	25	Leisure Inv 10p	25		—	—	—	—
65	55	Leisuretime Int 10p	56		2.2	3.9	5.4	6.0
162	146	Magnl. Ag. M. 10p	162a		◆8.75	3.3	7.7	14.5
183	155	Media Tech Int 20p	357		ug2.58	3.9	2.5	13.5
208	124	Medminster 10p	373		t4.85	2.6	4.0	11.7
280	173	Miss World 10p	200		3.6	4.1	2.6	13.6
127½	74	Nationwide Leisure	76	+1	t3.75	2.3	7.0	6.7
39	15	Niroda Int 20c	22		—	—	—	—
24½	19½	Owners Abroad	20	–½	1.0	◆	7.1	◆
53	38	Photax (Lon.)	45		—	—	—	—
24½	21½	P'dilly Radio NV 5p	22		1.87	1.1	12.4	10.6
90	30	Pineapple Dnc St 10p	40		d1.5	1.2	5.4	21.5
232	183	Pleasurama 5p	228xc		4.6	5.7	2.9	13.5
119	109	Do 7pcCvCnRedPf	118		—	—	—	—
96	77½	Pres Entertain 50p	00		g2.0	2.1	3.4	20.2
65	28	Radio Cty 'A' NV	28	–2	5.6	0.9	‡	5.6
55	42	Radio Clyde N/V	40		3.25	2.8	10.3	6.6
65	37	Riley Leisure 10p	44		t0.7	—	‡	—
193	143	Saga Hols. 20p	152		4.0	2.1	3.0	16.2
£11½	540	Samuelson Grp £1	£11		t9.0	3.6	1.6	3.3
42	25	Sangers Photo 10p	36	–1	2.0	1.9	7.9	9.4
202	138	Scanro 50p	142	+2	g3.68	2.6	3.2	15.0
156	128	Scot. TV 'A' 10p	136		0.8	2.8	9.2	5.6
500	319	SeaCo Inc $0.125	364	+15	—	—	—	—
15	0	SelecTV 10p	9		—	—	—	—
140	25	Spectrum 5p	25		tq2.0	4.0	‡	2.6
32	23	TSW 5p	27½		1.5	2.6	7.0	6.9
142	108	TVS N/Vtg 10p	125		6.0	2.2	5.8	9.3
235	132	Television Svcs 50p	190		t1.5	◆	1.1	◆
79	65	Tottenham Hotspur	66		3.8	1.6	8.7	(16.6)
260	182	Trident TV 'A' 10p	240		47.5	1.0	4.5	17.9
160	103	21st Century Oil	123	–1	—	—	‡	—

MINES—Continued

Miscellaneous

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
350	130	Centenoial Min'ls.	150	+10	—	—	—
120	70	Colby Res Corp	85		—	—	—
550	450	Cons. Murch 10c	475		t0100c	1.4	8.3
40	28	Ennex Inq Ir10p	28	–1	—	—	—
215	125	Hampton Areas 10p	130	+3	3.75	◆	3.9
260	140	Highwood Res	140		—	—	—
£22½	£17⅝	Homestake Mining $1	£17⅝	–¼	Q20c	—	1.1
310	190	McFinley Red Lake	230	+10	—	—	—
300	195	Musto Explorations	245	+5	—	—	—
55	25	New Sabua Res C$1	45		—	—	—
375	245	Northgate C$1	245	–5	—	—	—
685	550	RTZ	567	–5	20.0	2.3	5.0
£145½	£122	Do 9½pcLn '95-2000	£124	+½	Q9½%	14.0	(7.9)
£14½	£10	Tara Explrn $1	£10⅝		—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 50 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ● Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✣ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- 71 Dealt in under Rule 535(3).
- ¤ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ● Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ◆ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –	Stock	Price	+ or –
Albany Inv 20p	100		Arnott	165	
Craig & Rose £1	700xd		CPI Hldgs	56	
Finlay Pkg. 5p	61		Carrol Inds.	130xd	
Higsons Brew	228	+3	Dublin Gas	57	+4
Holt (Jos) 25p	725		Hall (R. & H.)	55	
IoM Stm. £1	77	–3	Helson Hldgs.	17	
IRISH			Irish Ropes	47	+1
Fund 11¾% 1988	£99¼		Jacob (W. & R.)	88	
Nat. 9¾% 84/89	£94⅛xd	+⅛	Unidare	87	
Fin. 13% 97/02	£104¼				

"Recent Issues" and "Rights" Page 30
(International Edition Page 34)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

LONDON STOCK EXCHANGE

Gilts respond to strong pound but leading shares drift easier in subdued trade

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
June 17	June 27	June 28	July 8
July 1	July 11	July 12	July 22
July 15	July 25	July 26	Aug 5

* "New-time" dealings may take place from 9.30 am two business days earlier.

Bond and share markets followed contrasting paths in London yesterday. Government stocks pressed higher in line with the sterling exchange rate, but leading equities passed a subdued session.

The negative outcome of the Opec meeting in Vienna, at which ministers were unable to agree on oil quotas, failed to check the rise in the pound. As the rate improved to $1.3450—a new 12-month high against the dollar — Gilt-edged securities attracted fresh demand awaiting today's announcement of the vital June banking statistics. Any cut in base lending rates could hinge on latest money supply trends.

Some longer-dated Gilts rose ½ before easing to close around ⅜ higher on balance, while selected shorts moved up 3/32: Exchequer 11 per cent 1990 gained an exceptional 5/16 at 99½ ex-dividend. Index-linked issues also managed some headway with the ultra-long Treasury 2½ per cent 2016 rising ½ to 94.

A none-too-favourable Press on recent developments within the electronics industry initially unsettled equities. **Thorn EMI** were singled out for special attention and led the retreat before rallying later. **STC** were another casualty on adverse comment.

Reflecting the further loss of competitiveness through the soaring pound, International stocks gave ground and around midday the FT Ordinary share index was standing 7.6 lower. Thereafter, it gradually recovered and finally reduced the loss to one of 4.5 on the session at 951.2.

Dealings began at 2.00 pm in the £7m issue of **Oldham Metropolitan Borough** 12.4 per cent 2022, a former drop-lock issue. The stock opened at 108¼ and rose to 109 compared with the recent placing price of 100.

Clearers feature

Clearing banks again provided one of the few firm areas of an otherwise quietly dull market. Weekend Press forecasts of bumper interim profits when the season commences later this month generated renewed demand. **Barclays** and **Lloyds** both gained 7 to the common level of 415p, while **NatWest** also firmed 7 to 715p; NatWest's half-year results are scheduled for July 30. **Midland** hardened a few pence to 393p, after 395p. Hopes of cheaper money in the not-too-distant future left Discount Houses higher throughout. **Union** advanced 25 to 670p and **Cater Allen** put on 20 to 510p, while **King and Shaxson** improved 4 to 158p. **Clive**, at 43p, and **Smith St Aubyn**, at 45p, gained 2 apiece. Elsewhere, **Hambros** rose 5 to 140p, after 143p, in response to Press comment.

The two newcomers to the Unlisted Securities Market both achieved premiums on their placing price levels. **Trilion**, a television facility and broadcasting company, improved from 74p to close at 76p, while **John Michael Design** went from 53p to close at 49p; the respective placing prices were 73p and 44p.

A number of firm features emerged in the Building sector. **Ward Holdings** were outstanding and touched 174p before closing 10 up on the day at 170p, reflecting bid rumours; the company's interim figures are expected at the end of next month. **Taylor Woodrow** followed Friday's good performance with a further 9 rise to 428p—a gain of 21 over the past two trading sessions, while **IDC** put on 5 more to a year's best of 270p on further consideration of the cash and shares bid from Matthew Hall. Reports that **Termac** is considering a private sale of its oil and gas exploration and production subsidiary, Plascom, for between £35 and £40m boosted the former's shares 4 to 302p. **SGB**, on the other hand, dipped to *140p*, prior to closing a net 4 cheaper at 142p, following the interim results which were below market expectations.

The Chemicals sector came under pressure from the outset following bearish Press comment. **ICI**, due to announce interim results on July 25, initially fell to 732p and rallied briefly to 736p before retreating late to close 20 down at 727p reflecting the sharp upward movement in sterling. **Yorkshire Chemicals** dipped 6 to 72p and **Laporte** 3 to 310p.

Leading Stores drifted gently lower across the board. **Debenhams**, up to 391p initially, closed 5 lower on balance at 384p; the disclosure that House of Fraser now controls just over 10 per cent of Debenhams served to further confuse the current bid situation. **Burton** fell 2 to 461p, as did **Habitat Mothercare**, to 390p. Movements in second-line Stores were usually attributable to favourable comment in the weekend Press. **Albion** were outstanding for this reason, rising 5¼ to 31p, while **J. Hepworth** touched 212p before settling a net 4 up at 208p.

Thorn EMI dip & rally

Leading Electricals failed to shake off their recent depression. **Thorn EMI** came under renewed pressure following comment on the disappointing annual results and dropped to a new 1985 low of 303p before rallying to finish only 4 cheaper on balance at 312p. **STC**, sold recently on the profits warning and unsettled yesterday by adverse comment, gave up 4 more at 104p, after 102p. Despite news of the chairman's share purchases, **Racal** eased 2 more to 134p, after 130p, while **Plessey** softened the same amount to 124p. Elsewhere, **AB Electronics** continued to reflect concern about Acorn Computer's future and dropped 20 further to 235p, after 220p. **Bulgin "A"** gave up 3½ to 15½p on a disappointing preliminary statement. **United Leasing**, on the other hand added 8 to 303p in reply to an investment recommendation. **Lec Refrigeration** put on 5 to 262p and **Pressac** 10 to 98p following speculative buying. **Logica**, at 125p, retrieved 20 of Friday's fall of 58 which was brought about by news of heavy losses at its two office automation subsidiaries.

Secondary issues provided most of the movements in a drab Engineering sector. **Carclo** featured with a rise of 12 to 295p in response to impressive annual profits, while **F. H. Lloyd** also drew encouragement from trading news and closed 1½ dearer at 64p. **Tace** added 10 at 530p following Press comment and **Delta** hardened a penny to 146p for the same reason.

Lack of investment incentive led to a subdued session in Foods. Retailers were quietly irregular with **J. Sainsbury** 4 dearer at 312p, but **Argyll** 5 lower at 298p. Elsewhere, **Rowntree Mackintosh** gave up 7 to 388p despite bullish *notices* emanating from a visit by brokers de Zoete and Bevan. **Maynards**, recently regarded as a possible target for acquisition-minded Ward White, encountered profit-taking and dipped 10 to 335p. **Batleys of Yorkshire**, however, hardened 3 to 113p following the full-year figures and proposed one-for-four scrip issue.

In Hotels, **Grand Metropolitan** carried last week's recovery a stage further and touched 302p before late selling left the shares a net 4 off at 296p. **Kennedy Brookes** closed 5 to the good at 235p, after 238p, on the interim figures and proposed 20 per cent scrip issue.

Pentland down

High-flier **Pentland** ran into further selling and dropped 85 more for a two-day decline of 125 to 745p. Elsewhere in miscellaneous Industrials, **Celtic Haven** lost 7 to 69p following the liquidation of speculative positions, but **Vinten** rose 7 to 112p in response to the cheerful statement which accompanied the annual results. **Brook Street Bureau**, still on hopes of a bid from Blue Arrow, moved up 4 to 138p, while speculative buying prompted rises of around 5 to **Pacific Sales**, 62p, **Parkfield**, 84p, and **Sutcliffe Speakman**, 38p. **Stonehill** were marked up 7 to 107p. Weekend Press comment left a rise of 4 in **Associated British Ports**, at 272p, and an improvement of 5 in **Thermal Syndicate**, at 290p. The leaders displayed no set trend after a subdued trade. **BTR** lost 4 at 341p and **Beecham** cheapened 3 to 320p. **Rank Organisation** hardened 2 to 327p ahead of Thursday's interim results, while **Reed International** rose 3 to 647p on Press comment.

Leisure issues lacked a decided trend. Fresh speculative demand lifted **Barr and Wallace Arnold Trust** 10 to 123p, with the "A" shares 6 higher at 108p. **Aspinall**, aided by "call" option activity, hardened a few pence to 125p, but **Intasun**, annual results due today, eased 4 to 130p.

Sellers held sway among Motors. **Lucas Industries** dipped 7 to 308p, while **Dowty** fell a similar amount to a 1985 low of 176p. Renewed interest was noted for **Automotive Products**, finally 4 up at 81p.

Saatchi and Saatchi became a casualty and fell to 630p before settling 30 lower on balance at 640p following publicity given to a broker's bearish circular. The disquiet spread to other advertising agencies which consequently finished with double-figure losses. **Valin Pollen**, 530p, and **Boase Massimi Pollitt**, 350p, gave up 20 apiece, while **Good Relations** shed only a few pence to 193p. **Wight Collins Rutherford Scott**, on the other hand, managed a gain of 5 to 350p, after 355p, following the full-year figures. Publishers showed scant alteration, although **Associated Newspapers** hardened 10 to 910p awaiting today's half-timer.

Among quiet Properties, **Control Securities** recorded a Press-inspired rise of 3 at 39p, while **City Site Estates** firmed 5 to 115p.

In lacklustre Textiles, profit-taking clipped a few pence from **Coats Patons** at 157p, but Press comment lifted **Sekers International** 3 to 58p. **Carpets International**, also the subject of weekend mention, touched 58p but succumbed later to scattered offerings and finished 2 off on balance at 55p.

Exco International were a particularly volatile market; up to 224p in response to the sale of its controlling interest in Telerate for a net consideration of around $425m, the shares dipped sharply after-hours on a closer examination of the deal to finish a net 7 lower at 200p. **British and Commonwealth**, which holds 21.6 per cent of Exco, fell 7 to 253p.

Lasmo easier

The absence of any hard and fast news from the full meeting of Opec oil ministers held in Vienna over the weekend—the next meeting is scheduled for July 22—was regarded as disappointing and dealers marked leading oil shares a few pence lower at the outset. Thereafter little activity was seen in the sector, although prices tended to harden a shade during an extremely subdued session. Suggestions in the weekend Press that **Enterprise Oil** had picked up a small stake in **LASMO** at the end of last week failed to inspire the former which ran back 6 to 265p; *Enterprise* eased 2 to 164p, after 163p. **Britoil** gave up a like amount at 213p ahead of the interim results, scheduled for Friday. Among secondary issues **Invent Energy** rose ¾ to £11, after £11½, in response to favourable Press mention, as did **Goal**, 2 firmer at 94p.

Golds gain ground

A reasonable two-way business developed in South African sectors of mining markets. Golds mirrored the movements in bullion markets, and gained ground at the outset before turning easier around midday and rallying in the after-hours' trading. The outcome was that most issues ended with minor overall gains and the Gold Mines index put on a further 4.7 to 415.5, a gain of almost ten points during the past two trading sessions.

Bullion traded above $312 an ounce throughout the morning session but dipped to around $309.25 in the afternoon prior to closing $3.5 firmer on balance at $315.25.

Randfontein performed strongly among the leaders and put on almost a point at £77¼, while **Winkelhaak** rose ¾ to £20⅜. Gains of around a half-point were common to **Doornfontein**, *£12*, *Kloof*, *£30⅜*, and **Western Holdings**, £23. **East Daggafontein** were outstanding among cheaper-priced stocks and put on 22 to 308p. **Unisel** advanced 57 to 678p.

South African Financials and Platinums drew strength from the good showing by Golds. **De Beers** were a shade harder ahead of the half-year diamond sales figure, while **Anglo American Corporation** attracted good support from Johannesburg to settle ⅛ better at £11¼.

Rio Tinto-Zinc were subject to selling pressure early in the day and closed 5 off at 567p, but **Consolidated Gold Fields** rallied from an initial 502p to close unaltered on balance at 505p. **Hampton Areas** edged higher to end 3 better at 130p.

The best performance in a single day this year by overnight Sydney and Melbourne markets produced an early mark-up of Australian issues. Little activity ensued, however, and many stocks closed a shade below their best levels. Golds performed well and **Central Norseman Gold** jumped 10 to 388p, while **Gold Mines of Kalgoorlie** and **Poseidon** rose 5 apiece to 435p and 178p respectively.

Traded Options continued to be influenced by the relatively thin business in London equities. Total contracts transacted amounted to 5,768. A lively two-way business developed in **ICI** which attracted 622 calls and 734 puts, 403 of the latter done in the October 700's. **Racal** were also active with 489 calls struck, a significant proportion of which were done in the August 140's.

FINANCIAL TIMES STOCK INDICES

	July 8	July 5	July 4	July 3	July 2	July 1	year ago
Government Secs.	82.49	82.28	82.07	82.03	81.96	81.92	77.23
Fixed Interest	87.17	86.95	86.85	86.78	86.74	86.57	81.86
Ordinary	951.2	955.7	951.9	942.3	954.5	952.5	811.5
Gold Mines	415.5	410.8	405.7	407.2	406.2	420.8	532.3
Ord. Div. Yield	4.87	4.84	4.86	4.21	4.85	4.87	4.88
Earnings, Yld.% (full)	12.13	12.14	12.18	18.31	18.17	12.20	11.34
P/E Ratio (net) (*)	10.07	10.06	10.03	9.92	10.04	10.01	10.60
Total bargains (Est.)	20,870	18,014	18,432	20,023	21,099	28,120	13,520
Equity turnover £m.	—	371.00	302.69	285.70	359.78	238.20	193.70
Equity bargains	—	13,378	14,912	15,830	18,108	20,818	15,757
Shares traded (mil)	—	185.7	158.3	155.1	819.5	184.1	102.7

10 am 950.3. 11 am 948.7. Noon 948.2. 1 pm 948.2.
2 pm 949.2. 3 pm 949.5. 4 pm 950.3.
Day's high 952.7. Day's low 948.1.
Basis 100 Govt. Secs. 15/10/28 Fixed Int. 1928. Ordinary 1/7/35.
Gold Mines 12/9/55. SE Activity 1974.
Latest Index 01-246 8026.
*Nil = 9.73.

HIGHS AND LOWS / S.E. ACTIVITY INDICES

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	82.49 (8/7)	78.02 (28/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	87.17 (8/7)	83.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1024.5 (22/1)	928.7 (3/1)	1024.5 (22/1/85)	49.4 (26/6/40)
Gold Mines	556.2 (15/4)	405.7 (4/7)	734.7 (15/2/83)	43.5 (26/10/71)

	July 5	July 4
Daily Gilt Edged Bargains	125.1	113.6
Equities Bargains	106.1	96.6
Equities Value	749.0	652.1
5 day Average Gilt Edged Bargains	120.0	117.7
Equities Bargains	119.0	116.9
Equities Value	658.2	657.9

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Bristol Oil & Minerals	22	+ 3
Celtic Haven	69	− 7
ICI	727	−20
Logica	125	+20
Pentland Inds	745	−85
Racal Elects	134	− 2
SGB	142	− 4
Saatchi & Saatchi	64	−30
Thorn EMI	312	− 4
Vinten	112	+ 7
Ward Holdings	170	+10
Yorkshire Chemicals	72	− 8

Based on bargains recorded in Stock Exchange Official List.

FRIDAY'S ACTIVE STOCKS

Stock	No. of changes	Fri. close	Day's change
Logica	25	105	−58
Pentland Inds	23	830	−40
Thorn EMI	12	316	−28
Hanson Trust	18	104	+ 3
Barclays	16	408	+ 8
Brit and Comm	14	260	+25
Burmah Oil	14	260	+17
Reed Intl	14	644	+18
ICI	13	747	− 2
Bell (A.)	12	240	+10
Glaxo	12	£12½	—
Racal Elects	12	136	+ 8
RTZ	12	572	+14
STC	11	108	− 2

† Partly-paid

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
July 8	July 19	Oct 10	Oct 21
July 22	Aug 2	Oct 24	Nov 4
Aug 5	Aug 16	Nov 7	Nov 18

For rate indications see end of Share Information Service

Stocks favoured for the call included New London Oil, Combined Technologies, Raine Industries, Habit Precision Engineering, Racal, James Neill, Aspinall, Falcon Resources, Burton, STC, Tuskar, Logica and Premier Oil. No puts were reported, but a double was struck in STC.

Duty free trader reports £100m sales

ALLDERS INTERNATIONAL (UK), part of one of the largest companies in duty-free trading, said it had achieved £100m sales in nine months at Heathrow and Gatwick airports.

Last year it reached £100m in 11 months. Allders International, formerly the Ocean Trading Group, operates concessions for the duty-free and tax-free shops at London Heathrow, Gatwick, Southampton and Luton.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon July 8 1985 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	xd adj. 1985 to date	Fri July 5 Index No.	Thurs July 4 Index No.	Wed July 3 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (205)	493.85	−0.2	11.38	4.56	11.07	8.31	494.84	491.10	488.72	477.03
2	Building Materials (22)	503.21	+0.3	13.03	5.27	9.42	9.87	501.85	496.59	494.30	431.20
3	Contracting, Construction (29)	757.04	+0.3	13.24	5.45	9.75	16.49	754.76	743.51	740.84	644.11
4	Electricals (14)	1339.15	−0.2	11.72	5.48	10.81	31.50	1341.29	1322.45	1347.46	1516.07
5	Electronics (38)	1287.31	—	11.78	3.77	11.23	15.97	1287.30	1266.12	1260.78	1682.90
6	Mechanical Engineering (62)	284.25	−0.5	11.32	4.90	10.76	5.33	285.70	285.33	284.73	243.62
8	Metals and Metal Forming (7)	187.60	+0.8	13.24	8.22	9.45	3.97	186.08	185.04	184.73	176.63
9	Motors (13)	160.08	−0.8	13.48	5.23	9.20	3.20	161.34	160.37	159.50	123.07
10	Other Industrial Materials (17)	915.25	−0.7	7.63	3.65	15.88	13.40	922.10	927.89	915.03	630.79
21	CONSUMER GROUP (177)	647.89	−0.2	9.84	3.99	12.55	10.21	649.27	644.19	640.42	488.77
22	Brewers and Distillers (23)	612.24	−0.3	11.27	4.56	11.04	8.38	614.27	607.56	606.46	516.58
25	Food Manufacturing (21)	495.88	−0.8	12.09	4.86	10.48	11.49	499.73	492.70	492.69	368.88
26	Food Retailing (14)	1518.21	−0.3	5.77	2.74	22.94	12.87	1522.45	1494.50	1493.04	1119.45
27	Health and Household Products (9)	1027.41	−0.4	6.54	2.88	17.94	10.89	1031.75	1030.47	1016.44	782.95
29	Leisure (22)	612.42	−0.2	9.53	5.33	13.74	13.45	613.60	622.92	617.73	584.80
32	Newspapers, Publishing (12)	1716.48	+0.1	7.75	4.47	16.66	35.22	1715.27	1703.32	1709.10	1314.62
33	Packaging and Paper (13)	330.83	−0.3	10.70	4.50	11.08	6.10	331.80	328.02	325.65	225.78
34	Stores (42)	625.44	+0.2	7.99	3.42	16.95	9.27	624.41	617.06	612.31	415.77
35	Textiles (18)	327.81	−0.6	14.50	4.84	7.82	6.41	329.86	327.45	327.69	257.45
36	Tobaccos (3)	852.00	+0.3	17.41	5.04	6.44	17.44	849.45	851.52	842.23	635.45
41	OTHER GROUPS (101)	649.60	−0.6	9.89	4.31	12.83	10.96	653.74	647.65	646.28	426.57
42	Chemicals (19)	708.69	−2.0	14.61	5.22	8.45	15.37	722.82	722.25	721.22	559.46
44	Office Equipment (4)	171.04	+0.5	7.70	4.92	16.11	5.58	170.13	167.12	168.84	122.24
45	Shipping and Transport (12)	1098.21	−1.0	8.70	4.78	14.41	25.43	1109.16	1079.84	1075.79	817.24
46	Miscellaneous (64)	807.87	−0.6	7.75	3.88	15.74	10.13	812.66	805.46	802.56	598.00
48	Telephone Networks (2)	804.08	—	9.30	4.04	14.36	13.20	804.08	795.25	793.74	0.0
49	INDUSTRIAL GROUP (483)	614.62	−0.3	10.23	4.21	12.23	10.03	616.61	611.58	608.76	480.55
51	Oils (17)	1132.54	−0.5	16.49	7.36	7.46	38.38	1138.40	1130.22	1123.81	1021.18
59	500 SHARE INDEX (500)	657.96	−0.3	11.08	4.64	11.25	12.31	660.26	654.96	651.85	525.87
61	FINANCIAL GROUP (115)	472.91	+0.2	—	5.30	—	9.83	471.83	467.12	460.86	368.85
62	Banks (6)	503.51	+1.1	15.36	6.82	9.29	11.71	497.81	490.18	478.14	352.67
65	Insurance (Life) (9)	730.83	−0.2	—	4.44	—	14.71	732.38	718.82	718.53	473.55
66	Insurance (Composite) (7)	364.88	−0.1	—	5.35	—	8.53	365.32	362.45	352.69	277.82
67	Insurance (Brokers) (7)	1041.84	−0.2	9.01	3.98	14.84	20.10	1044.07	1041.80	1027.48	804.94
68	Merchant Banks (11)	226.52	+0.1	—	4.87	—	4.92	226.31	226.31	226.25	198.92
69	Property (50)	599.12	+0.1	6.23	3.88	21.54	8.46	598.51	596.05	597.19	567.92
70	Other Financial (25)	269.43	−0.5	9.11	6.02	13.42	6.88	270.65	269.54	265.70	234.91
71	Investment Trusts (107)	572.56	+0.1	—	3.80	—	8.89	571.85	568.48	567.55	475.70
81	Mining Finance (3)	268.92	−0.5	12.07	3.70	9.61	5.29	270.35	265.52	262.37	258.19
91	Overseas Traders (15)	630.20	−0.3	12.13	6.31	9.90	20.51	631.80	627.80	628.47	516.50
99	ALL-SHARE INDEX (740)	605.77	−0.2	—	4.74	—	11.52	607.21	602.13	598.52	485.07

	Index No.	Day's Change	Day's High	Day's Low	July 5	July 4	July 3	July 2	July 1	Year ago
FT-SE 100 SHARE INDEX	1258.2	−1.8	1258.4	1254.7	1260.0	1249.1	1239.3	1250.8	1246.8	1033.5

FIXED INTEREST

	PRICE INDICES	Mon July 8	Day's change %	Fri July 5	xd adj. today	xd adj. 1985 to date
	British Government					
1	5 years	117.92	+0.07	118.00	0.17	6.08
2	5-15 years	130.49	+0.25	130.16	—	7.34
3	Over 15 years	136.19	+0.24	135.86	—	6.87
4	Irredeemables	148.07	+0.47	147.37	—	7.27
5	All stocks	128.68	+0.19	128.50	0.06	6.91
6	Debentures & Loans	109.90	+0.34	109.53	—	6.08
7	Preference	80.09	+0.11	80.00	—	3.44
	BRITISH GOVERNMENT INDEX-LINKED STOCKS					
8	All stocks	110.87	+0.18	110.67	—	1.34

	AVERAGE GROSS REDEMPTION YIELDS		Mon July 8	Fri July 5	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	10.19	10.21	11.36
2		15 years	10.44	10.48	11.35
3		25 years	10.12	10.16	10.77
4	Medium Coupons	5 years	11.25	11.28	12.46
5		15 years	10.76	10.79	11.81
6		25 years	10.30	10.34	11.30
7	High Coupons	5 years	11.31	11.35	12.42
8		15 years	10.94	10.97	11.98
9		25 years	10.51	10.53	11.22
10	Irredeemables †		9.93	9.98	10.65
11	Debs & Loans	5 years	11.83	11.87	12.57
12		15 years	11.66	11.70	12.80
13		25 years	11.48	11.54	12.86
14	Preference †		12.32	12.34	13.14
15	Inflation rate	5%	3.63	3.64	3.83
16		10%	3.44	3.45	3.65

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

EUROPEAN OPTIONS EXCHANGE

Series		Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
GOLD C	$320	8	3	—	—	—	—	$308.90
GOLD C	$340	—	—	28	7	—	—	"
GOLD C	$360	250	2.50	20	4	—	—	"
		Sept.		Dec.		March		
SILVER C	$650	—	—	10	58	4	78	$592

[illegible]

TOTAL VOLUME IN CONTRACTS: 43,856

A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (51)

NEW LOWS (62)

[illegible]

LONDON TRADED OPTIONS

[illegible]

WORLD STOCK MARKETS

AUSTRIA

July 8	Price Sch%	+ or —
Creditanstalt	380	—10
Goesser	510	—10
Interunfall	1,800	......
Laenderbank	345	—5
Perlmooser	582	—6
Steyr-Daimler	175	......
Veitscher Mag	660	—2

BELGIUM/LUXEMBOURG

July 8	Price Frs.	+ or —
B.B.L.	0,000	—10
Banq. Gen Lux	6,300	......
Banq. Int. A. Lux	6,090	......
Bekaert B.	6,710	—50
Ciment CBR	3,525	+5
Cockerill	206	—9
Delhaize	6,710	......
EBES	3,075	+5
Electrobel	6,680	—40
Fabrique Nat	2,005	+8
GB Inno BM	3,705	+5
GBL (Brux)	1,910	+10
Gevaert	3,900	+25
Hoboken	5,690	—90
Intercom	2,250	—10
Kredietbank	8,900	......
Pan Hldgs.	10,600	......
Petrofina	5,690	—10
Royale Belge	19,050	—50
Soc. Gen. Banq	3,320	—100
Soc. Gen. Belge	1,825	+5
Sofina	7,300	+30
Solvay	4,505	—5
Stanwick Intl.	1,600	......
Tractionel	8,795	+5
UCB	5,950	—30

GERMANY

July 9	Price Dm.	+ or —
AEG-Telef.	136.4	—1.7
Allianz Vers	1,302	—6
BASF	938.7	—0.8
Bayer	238	—1.5
Bayer-Hypo	372	—0.6
Bayer-Verein	439	+1
BHF-Bank	348	......
BMW	465	—1
Brown Boveri	245	+1
Commerzbank	222.7	—0.3
Cont'l. Gummi	165	—10.5
Daimler-Benz.	876xd	—4
Degussa	385	—1.6
D'sche Babcock	163	—0.5
Deutsche Bank	690	—5.8
Dresdner Bank	274.5	+9.5
GHH	171	—5
Hochtief	665	+5
Hoechst	944.6	—0.6
Hoesch Werke	116	—1.6
Holzmann (P)	425	—17
Horten	186	—0.0
Hussel	307	......
Karstadt	254	—5
Kaufhof	060.6	—0.6
KHD	298	+4
Kloeckner	69.5	+0.8
Linde	642.5	—0.6
Lufthansa	918	—7
MAN	179.3	+3.3
Mannesmann	205.5	+4.8
Mercedes Hld.	793	—9.1
Metallgesell	284	—9
Muench Rueck	1,060	—30
Nixdorf	675.5	—5.5
Porsche	1,463	—24
Preussag	286	—4.5
Rhein West Elect	184.6	......
Rosenthal	067	—1

NYSE COMPOSITE PRICES

Continued from Page 37

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Prev. Close
$13\frac{3}{8}$	$5\frac{1}{8}$	Winner			38	35	$6\frac{1}{8}$	6	6	
$7\frac{1}{4}$	$3\frac{3}{4}$	WinterJ				22	$7\frac{3}{8}$	$7\frac{1}{4}$	$7\frac{3}{8}$	$-\frac{5}{8}$
$40\frac{1}{8}$	$27\frac{3}{8}$	WiscEP2.48	6.2	9		83	$39\frac{7}{8}$	$38\frac{3}{4}$	$38\frac{3}{4}$	$-\frac{1}{8}$
90	69	WisE pf8.90	9.9			z400	90	90	90	
78	$58\frac{1}{2}$	WisE pf7.75	9.6			z300	u79	76	79	$+1\frac{1}{2}$
38	$25\frac{3}{4}$	WiscPL2.64	6.9	9		68	u$38\frac{3}{8}$	$38\frac{1}{8}$	$38\frac{1}{4}$	$+\frac{1}{4}$
$37\frac{7}{8}$	$27\frac{1}{4}$	WiscPS2.55	6.8	9		44	$37\frac{3}{4}$	$37\frac{1}{2}$	$37\frac{3}{4}$	$-\frac{1}{8}$
$40\frac{1}{2}$	$27\frac{3}{8}$	Witco	1.48	4.1	9	9				
$15\frac{1}{4}$	$9\frac{1}{2}$	WolvrW.24		2.1	4	242				
$23\frac{3}{8}$	$18\frac{5}{8}$	WoodPt .80		3.7	16	118				
$47\frac{1}{2}$	$33\frac{1}{4}$	Wolwth	2	4.5	10	649				
$4\frac{3}{4}$	$2\frac{3}{8}$	WrldAr				15				
$74\frac{5}{8}$	$54\frac{1}{8}$	Wrigly 1.80a		2.4	13	128				
$5\frac{3}{4}$	$2\frac{7}{8}$	Wurlitzr				1				
16	$10\frac{5}{8}$	WyleLb .32		2.5	15	90				
$23\frac{3}{8}$	$15\frac{1}{2}$	Wynns .80		3.6	7	21				

LONDON Chief price changes (in pence unless otherwise indicated)

RISES

Exch. 11pc 1990	£99⅛xd	+$\frac{5}{16}$
Exch. 15pc 1997	£127¼	+½
Albion	31	+5½
Aust Cons Min	72	+5
Barclays	415	+7
Carclo Eng	295	+12
IDC	270	+5
Lloyds Bank	415	+7
Logica	125	+20
Pressac	98	+10
Sons of Gwalia	102	+6
Sutcliffe Speak	38	+5
Union Discount	670	+25
Utd Leasing	303	+8
Vinten	112	+7
Ward Hldgs	170	+10

FALLS

A.B. Electronic	235	—20
Bulgin (A.F.) A	15½	—3½
Celtic Haven	69	—7
Exco Int	200	—7
ICI	727	—20
Lucas Inds	308	—7
Pentland Ind	745	—85
Saatchi & Saatchi	640	—30
York Chemicals	72	—6

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Prices at 3pm, July 8

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev Close
23½	18	AAR	.48	2.4	15	67	20⅛	20	20⅛	−⅛
17⅞	9⅝	AGS			14	96	17	16⅝	16⅝	−⅛
16½	9⅝	AMCA				1	10⅞	10⅞	10⅞	+⅛
21½	13¾	AMF	.60	2.7	56	1184	18¾	18½	18½	−⅛
49⅞	24¼	AMR			11	2377	49⅝	49¼	49¼	−¼
22⅞	18⅝	AMR pf2.18		8.7		7	22¾	22½	22½	
23	19	ANR pf2.12		11.		1	18½	18½	18½	
14¼	7¾	APL				46	7⅞	7¾	7¾	
61⅛	44⅝	ASA		24.0		522	50¼	46⅞	50	+¾
27	12½	AVX	.32	2.4	11	61	13⅞	13¼	13½	−¼
28⅛	18	AZP	2.72	9.8	8	593	28	27¾	27⅞	−½
58⅝	36¾	AbtLab	1.40	2.4	17	1007	57⅞	57	57¼	−½
25⅞	19	AccoWd	.50	2.3	17	510	22¼	21¾	22	+⅜
24¾	12½	AcmeC	.40	2.5		20	16½	16	16	−⅛
10½	7⅝	AcmeE	.32b	4.1	10	20	7⅞	7¾	7¾	
17¾	15	AdaEx	1.92e	11.		87	u18	17¾	17¾	
20	11⅞	AdmMl	.32	1.8	7	72	18¾	18	18	+⅛
18½	8⅝	AdvSys	.53t	4.6	18	50	11⅞	11⅝	11⅝	+⅛
41⅛	22⅛	AMD			11	964	26⅝	25⅝	25⅝	−⅜
12¾	6⅞	Advest	.12	1.5		167	8½	8¼	8¼	−¼
14⅝	9	Aeroflex			13	167	14½	14¼	14⅜	+⅛
47	27¼	AetnLf	2.64	3.7	34	1241	46⅛	45¾	46	

Continued on Page 37

NYSE COMPOSITE PRICES

Continued from Page 36

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
39⅜	25⅝	Primrk	2	5.1	6	11	39⅝	39⅜	39⅜	−¼
20¼	12½	PrimeC			14	1163	16½	16¼	16⅜	+⅛
33⅝	13⅝	PrimM s.09		.0	26	56	32	31⅝	31⅞	−⅛
59⅞	30⅝	ProctG 2.60		4.5	14	1369	58¼	57⅝	57⅝	−½
16⅛	7¾	PrdRsh .32		2.8	21	63	15¼	15¼	15⅞	
47¼	32⅞	Proler	1.40	3.6	12	49	40	38⅛	39⅝	−1⅛
24¼	16⅞	PSvCol	2	0.7	9	x180	23¼	23	23	−¼
66	63	PSCol pf7.15		11.		z10	65	65	65	−1
21¼	18¼	PSCol pf2.16		10.		9	20⅞	20¾	20⅞	
9	6⅞	PSInd	1	11.	9	340	9	8⅞	8⅞	
25	26	PSIn pf 3.50		15.		z350	24½	24	24	−1
8½	6	PSIn pf 1.04		15.		z200	8⅛	8⅛	8⅛	+⅛
8⅝	6⅛	PSIn pf 1.08		14.		z31	10 8½	8	8	
65	61	PSIn pf 9.44		14.		z310	u66¼	66	66	+1
57	43	PSIn pf 8.52		15.		z20	56¼	56¼	56¼	+¼
65⅛	43½	PSIn pf 8.38		15.		z114	65⅛	55¼	55½	+¼
63½	52	PSIn pf 9.50		13.		z120	66	65	66	−½
60⅞	47½	PSIn pf 8.96		16		z800	60	58¼	59	+⅛
6⅝	5⅛	PSvNH			9	1022	6	5⅞	5⅞	
15¾	6⅞	PSNH pf				z680	14½	14	14	+¼
16	7⅛	PNH pfB				6	14¾	14¼	14¼	
21¾	10½	PNH pfC				13	26	20	20	
18⅞	8	PNH pfE				24	16½	16	16	
16	7¾	PNH pfF				T	15¼	16	15¼	+¼
17	7⅞	PNH pfG				8	16¼	16⅛	16⅛	+⅛
28¾	19½	PSvNM 2.88		10.	6	1000	u28⅞	28½	28½	−⅛
22½	21⅝	PSvEG 2.84		9.2	8	752	31⅛	30¾	31	−⅛
15	10⅝	PSEG pr1 40		10.		5	14	14	14	−¼
38	26	PSEG pf4.08		10.		z210	u39	39	39	+1
49¼	38	PSEG pf5.20		11.		z180	48½	48⅛	48½	+¼
20¾	15	PSEG pf2.17		11.		27	30⅝	29	20	−⅛
22½	18⅜	PSEG pf2.43		11.		6	22¼	22	22¼	+¼
107	26	PSEG pf12.25		12.		z140	105¾	164	104	
71	53⅛	PSEG pf7.70		11.		z40	71	71	71	+1
68¾	51½	PSEG pf7.52		11.		z100	67⅛	67½	67½	−1¼
80	60	PSEG pf9.62		11.		z180	80	86	80	+½
4⅛	2⅜	Publick				57	2⅞	2¾	2⅞	+⅛
15½	8⅛	Pueblo .16		1.2	19	6	13	13	13	−⅛
16	10⅛	PugetP1.76		11.	9	675	16	15¾	15⅞	+⅛
21¾	16⅛	PulteHm12		.7	24	62	16¾	16½	16½	−⅛
32	22¾	Purolat1 28		5.1	39	88	25	24⅝	24⅞	−⅛
10¼	5½	Pyro			6	368	6½	6⅜	6⅜	−¼
52⅞	28½	QuakO s1.24		2.4	14	309	52⅞	51⅞	52	−⅞
182⅞	90½	QuaO pf9.56		9.4		z50	101½	101½	101½	−1
22¾	15	QuakSO80		3.5	28	304	u23	22⅛	23	+⅛
10½	6⅝	Quanex			20	23	7⅞	7⅝	7⅝	−¼
34¾	29	Questa 1.60		5.1	10	19	31⅝	31½	31⅛	−⅛
25¼	14	QkRell .24a		1.0	15	140	22¼	22⅞	23	−¼
		R R R								
9⅞	6¼	RBInd .04j		.5		39	6⅝	6½	6½	−⅛
49⅞	20¼	RCA	1.04	2.2	13	2379	47¼	46⅝	46⅝	−⅛
39½	29⅝	RCA pf 3.58		8.9		z500	39½	39½	39½	

‡ ab a figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

Continued on Page 35

AMEX COMPOSITE PRICES

Prices at 3pm. July 8

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued on Page 35

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Cars drive home profit uncertainty

INCREASING WORRIES over the trend of the U.S. economy, accompanied by a sharp dip in the dollar on the foreign exchange markets, cast a cloud over Wall Street yesterday, *writes Terry Byland in New York.*

Sharp falls in car issues featured in a widespread downturn in the stock market on revived nervousness for corporate profits.

At 3pm, the Dow Jones industrial average was down 6.85 at 1,325.60.

In the credit markets, hopes for a cut in the discount rate cooled ahead of this week's meeting of the Federal Reserve's Open Market Committee (FOMC).

The FOMC meeting opens today to plan credit strategies and review the board's monetary targets. Pressures on the Fed to ease credit policy have increased, as economic data have seemed to confirm weakness in the U.S. economy.

However, Wall Street believes the Fed may be inhibited from slackening policies by the renewed rise in money supply disclosed on Friday in an unexpected jump of $2.6bn in the latest M1 total.

The stock market, on the hrink of the corporate quarterly reporting season, hegan its fall as the latest survey of U.S. purchasing managers seemed to confirm the economic sluggishness indicated by last week's federal employment statistics.

Signs that the Detroit car makers are heading for an all-out price war as well as intensified Japanese competition hit motor stocks hard. General Motors, believed to be planning hefty boosts in output but only modest price increases, fell $1⅛ to $69¾. The market's unease was fed by General Motors' announcement of $600m in manufacturing plant expenditures.

Also under pressure was Ford, which would take the brunt of any price offensive by General Motors. At $43⅞, Ford dipped $1⅛. Chrysler lost $¾ to $34⅞.

By contrast, stocks of Japanese car manufacturers, traded in the form of American Depositary receipts, strengthened. Honda added $⅝ to $60 and Toyota $⅛ to $10⅝.

B.F. Goodrich added $1 to $31⅞ after closing a small tyre plant. Other tyre industry stocks weakened behind General Tire, $¾ lower at $46⅞.

IBM lost $1 to $123½ but trading was modest. Big Blue's issue of 30-year debentures, its first appearance in the bond market for six years, was increased from $400m to $500m, in response to strong demand from institutions.

Oil stocks remained out of favour following the failure of the Opec ministers to agree on measures to shore up crude oil prices. Exxon dipped $⅜ to $52⅞ after a 1.9m share hlock was traded at $52¼ by Jefferies, the major trader in the third, or off-trading floor, stock market.

But airline stocks drew no further benefit from expectations of a further slide in oil prices. United eased $⅛ to $56¼, while Pan Am remained unchanged at $7 in light trading.

Defence/aerospace stocks suffered fresh losses. General Dynamics tumhled a further $1¼ to $77½. McDonnell Douglas fell $⅜ to $79¼, and Lockheed at $53⅞ also shed $⅛.

Chemical stocks were mostly easier although prices steadied from the day's lows. Du Pont, $⅝ down at $59⅛, was a soft spot. Pharmaceuticals were irregular, despite the weakness of the dollar which helps the industry's overseas sales and profits. A fresh wave of optimism for an anti-baldness drug pushed Upjohn ahead $2⅜ to $114¾. Merck, the sector leader, remained strong, adding a further $¾ to $112½. But Pfizer eased $¼ to $48⅜.

Among the Wall Street traders, E. F. Hutton fell $1¾ to $32¾, as federal officials continued their examination of the firm's cash management practices.

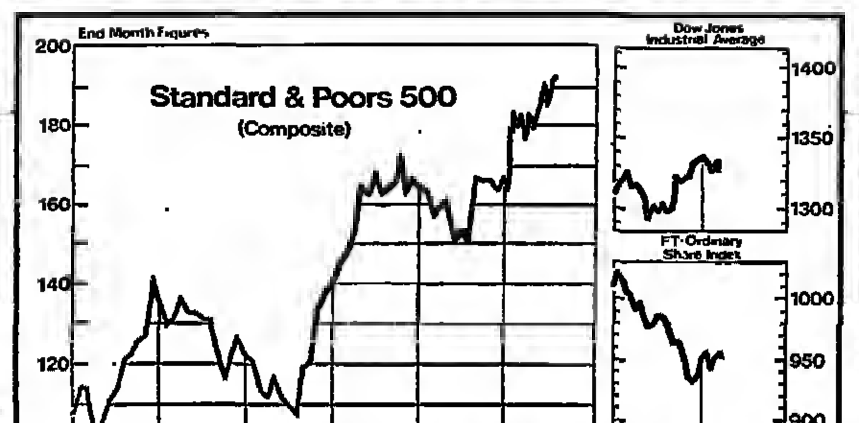
Telerate, operator of the electronic bond market information system, eased $⅛ to $16½ after Exco, the UK finance industry group, sold its stake to Dow Jones. MCA, the film and record group, fell $1⅞ to $62⅜ after commencing its purchase of the outstanding equity of L. J. N. Toys, $¼ off at $13¾.

Nervousness over retailing profits hrought falls in the department stores. Tobacco stocks ran into sellers again.

In the credit markets, short-term rates jumped sharply as expectations of a cut in federal discount rate evaporated. Three-month Treasury hills were 16 hasis points higher. Federal funds remained active, but sleckened to 7⅞ per cent as the holiday weekend positions were unwound.

In the bond market, the longer end held steady but the nearer dates were more irregular.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	July 8	Previous	Year ago
DJ Industrials	1,325.60*	1,334.45	1,122.57
DJ Transport	676.03*	678.96	474.69
DJ Utilities	166.60*	166.29	125.67
S&P Composite	191.50*	192.52	152.24
LONDON			
FT Ord	951.2	955.7	811.8
FT-SE 100	1,258.2	1,260.0	1,042.3
FT-A All-share	605.77	607.21	485.07
FT-A 500	657.96	660.26	525.87
FT Gold mines	415.5	410.8	532.3
FT-A Long gilt	10.51	10.53	11.10
TOKYO			
Nikkei-Dow	13,029.65	13,040.10	10,461.9
Tokyo SE	1,054.00	1,048.20	792.06
AUSTRALIA			
All Ord.	897.0	882.4	668.0
Metals & Mins.	524.9	614.9	422.6
AUSTRIA			
Credit Aktien	98.05	78.79	53.81
BELGIUM			
Belgian SE	2,342.31	2,347.76	—
CANADA			
Toronto			
Metals & Minls	1,871.0*	1,873.6	1,805.0
Composite	2,733.0*	2,739.5	2,205.3
Montreal			
Portfolio	134.0*	133.87	107.7
DENMARK			
SE	n/a	202.13	182.44
FRANCE			
CAC Gen	218.2	219.6	172.5
Ind. Tendance	123.4	124.10	90.58
WEST GERMANY			
FAZ-Aktien	499.71	502.62	337.8
Commerzbank	1,472.7	1,486.2	973.8
HONG KONG			
Hang Seng	1,566.68	1,570.3	822.86
ITALY			
Banca Comm.	345.30	343.05	209.11
NETHERLANDS			
ANP-CBS Gen	220.9	221.2	157.8
ANP-CBS Ind	186.5	186.3	127.5
NORWAY			
Oslo SE	325.12	325.11	243.95
SINGAPORE			
Straits Times	746.46	753.14	903.23
SOUTH AFRICA			
JSE Golds	–	986.5	864.1
JSE Industrials	–	991.8	916.8
SPAIN			
Madrid SE	110.62	108.43	90.27
SWEDEN			
J & P	1,294.86	1,293.43	1,484.07
SWITZERLAND			
Swiss Bank Ind	469.1	460.3	364.4
WORLD	July 5	Prev	Year ago
Capital Int'l	217.7	216.3	173.4

GOLD (per ounce)

	July 8	Prev
London	$315.25	$311.75
Zürich	$309.50	$311.75
Paris (fixing)	$312.55	$311.36
Luxembourg	$312.75	$311.00
New York (Aug)	$316.60*	$311.40

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR July 8	U.S. DOLLAR Previous	STERLING July 8	STERLING Previous
$	–	–	1.345	1.3275
DM	2.98	3.006	4.005	3.99
Yen	246.0	247.0	330.5	327.75
FFr	9.0775	9.15	12.23	12.145
SwFr	2.4995	2.5185	3.355	3.34
Guilder	3.3565	3.3845	4.5075	4.4925
Lira	1,904.0	1,915.5	2,555.5	2,542.0
BFr	60.15	60.6	81.3	80.45
C$	1.358	1.357	1.814	1.803

INTEREST RATES

	July 8	Prev
Euro-currencies (3-month offered rate)		
£	12$^{5}/_{16}$	12⅛
SwFr	5½	5¼
DM	5$^{9}/_{16}$	5⅝
FFr	10⅛	10$^{9}/_{16}$
FT London Interbank fixing (offered rate)		
3-month U.S.$	7$^{13}/_{16}$	7⅞
6-month U.S.$	7⅞	8$^{1}/_{16}$
U.S. Fed Funds	8*	8⅛
U.S. 3-month CDs	7.40*	7.45
U.S. 3-month T-bills	6.91*	6.77

U.S BONDS

Treasury		July 8* Price	July 8* Yield	Prev Price	Prev Yield
8½	1987	99$^{25}/_{32}$	8.533	100$^{4}/_{32}$	8.45
10⅞	1992	102$^{14}/_{32}$	9.882	102$^{26}/_{32}$	9.80
11¾	1995	107$^{13}/_{32}$	10.04	107$^{24}/_{32}$	9.97
11¼	2015	108$^{22}/_{32}$	10.31	109	10.27

Corporate	July 8* Price	July 8* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	101½	10.00	101½	10.00
3⅞ July 1990	81⅛	8.625	81⅛	8.625
8¾ May 2000	85⅝	10.70	85⅝	10.70
Xerox				
10⅝ March 1993	100⅜	10.50	100⅜	10.50
Diamond Shamrock				
10⅝ May 1993	100⅛	10.55	100⅛	10.55
Federated Dept Stores				
10⅝ May 2013	95½	11.15	95½	11.15
Abbot Lab				
11.80 Feb 2013	104⅝	11.25	104⅝	11.25
Alcoa				
12¼ Dec 2012	94⅜	11.95	94⅜	11.95

Source: Salomon Bros

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	78–15	78–29	78–13	79–00
U.S. Treasury Bills (IMM) $1m points of 100%				
Sept	93.17	93.25	93.16	93.32
Certificates of Deposit (IMM) $1m points of 100%				
Sept	92.63	92.68	92.81	92.75
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	92.33	92.35	92.28	92.35
20-year Notional Gilt £50,000 32nds of 100%				
Sept	111–07	111–08	110–22	110–27

COMMODITIES

(London)	July 8	Prev
Silver (spot fixing)	445.10p	448.00p
Copper (cash)	£1,061.00	£1,076.50
Coffee (July)	£1,794.50	£1,825.00
Oil (spot Arabian light)	$26.85	$26.80

TOKYO

Foundations slip after firm start

AFTER opening higher, share prices in Tokyo yesterday were hit by late profit-taking and closed lower on balance, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow market average advanced 62.56 at one stage, but slackened later, finishing at 13,029.65, down 10.45. Volume expanded from last Friday's 615m to 690m shares, reflecting huying of large-capital issues hy business corporations.

Revived speculation that the U.S. Federal Reserve Board would reduce its discount rate soon, sent prices higher almost across the board.

But the upward trend tapered off as investors became wary of precariously high prices. Another unfavourahle factor was the offloading of some hiotechnology stocks.

Corporations and institutional investors sought large capital issues in anticipation of lower interest rates in Japan and overseas.

Mitsubishi Heavy Industries gained Y7 to Y342 with the biggest turnover of 65.43m shares. Nippon Steel firmed Y3 to Y165, while Tokyo Gas rose Y4 to Y243 and Tokyo Electric Power Y60 to Y2,200.

Keisei Electric Railway, the second busiest with 38.63m shares traded, rose Y31 to Y491. Tokyu Corporation gained Y16 to Y467 and Keihin Electric Express Railway rose Y31 to Y422.

Constructions also gained ground on a wide front on speculation over the planned construction of a trans-Tokyo Bay road. Sato Kogyo, the third husiest with 22.57m shares, firmed Y16 to Y316, Ohbayashi Y14 to Y347, and Nishimatsu Construction Y20 to Y375.

Tokio Marine and Fire Insurance topped Y1,000 at one stage, closing up Y13 at Y983. Yasuda Fire and Marine also gained Y9 to Y642, and Taisho Marine and Fire rose Y27 to Y667.

Mitsubishi Warehouse put on Y33 to Y590 on investor appraisal of its hidden assets. Sumitomo Realty added Y27 to Y895, and Mitsuhishi Estate Y20 to Y894.

By contrast, some biotechnology stocks plunged. Dainippon Pharmaceutical shed Y230 to Y3,150, Mochida lost Y160 to Y9,820 and Sankyo Y30 to Y1,160.

Bond prices firmed due to lower U.S. interest rates, with yields on long-term bonds almost matching those of short-term bonds. Major securities companies and city banks showed no signs of retreating.

The yield on the benchmark 7.3 per cent government bond, due in December 1993, declined from last Friday's 6.290 per cent to a record low of 6.255 per cent.

AUSTRALIA

MAJOR industrial issues highlighted enlivened trading in Sydney with foreign investors adding to the domestic buying pressure.

By the close of trading rises outnumbered falls three to one and the All-Ordinaries index finished 19.7 higher at 1,291.6 on sharply increased turnover.

BHP led the way with a 16 cent improvement to A$4.38, while banks were the strongest sector as ANZ firmed 25 cents to A$4.65.

SINGAPORE

FOR the seventh consecutive day prices slipped across a broad front in Singapore, leaving the Straits Times industrial index at its lowest level since January 1983.

Turnover also shrank as investors failed to locate any huying incentives.

Sangyong Cement was among the heaviest losers, falling 20 cents to S$1.40 while Magnum Corporation slid 14 cents to S$3.22.

EUROPE

Fresh move to higher Swiss peaks

THE BULL RUN that sparked a successioo of records oo the European bourses last week continued yesterday in many centres although profit-takers had the upper hand in Germany.

Strong foreign demand combined with hroad support for recently neglected issues in Zurich to take leading indices to all-time highs. The Swiss Bank industrial index rose 6.6 to a record 469.1, while the general index breached the 500 point barrier with a 6.0 increase to 505.1.

Some hank issues consolidated their gains of last week although UBS firmed SwFr 15 to SwFr 4,350 and Baer Holding sprinted SwFr 250 ahead to SwFr 9,250. Bank Leu retreated SwFr 20 to SwFr 3,900 while Swiss Bank traded SwFr 2 dearer to SwFr 473.

Nestlé extended the gains secured in virtually every session last week with a further SwFr 385 to a peak of SwFr 6,900, while Jacobs Suchard edged SwFr 15 lower to SwFr 6,660.

Electrowatt, which has encountered persistent demand on the path to new highs, enjoyed another buoyant session and a SwFr 170 advance to SwFr 3,190.

Sandoz sparkled with a SwFr 475 jump to a 1985 high of SwFr 9,100, a surge of SwFr 650 so far this month, while Ciha Geigy scored a SwFr 95 jump to SwFr 3,625, a SwFr 455 gain over the past fortnight.

Alusuisse, which failed to benefit from the bullish trend last week, firmed SwFr 10 to SwFr 760, while insurers, also recently out of favour, saw Winterthur pick up SwFr 15 to SwFr 4,350 and Swiss Re, a net SwFr 200 weaker by the end of last week, traded SwFr 40 higher to SwFr 13,150.

Bonds finished steady.

Amsterdam, scene of a spate of records last week, firmed although uncertainty over oil prices hit Royal Dutch, a major constituent of the ANP-CBS index, which eased 0.2 to 220.9. Other sectoral indices, however, secured new peaks.

Royal Dutch dipped Fl 2.50 to Fl 196.90, while Philips surrendered Fl 1.90 to Fl 51.

Foreign buying was evident throughout the session and local institutions were tempted into trading on the strength of Dutch economy.

Banks and insurers displayed the most confidence as ABN surged to a new 12-month high of Fl 480.50, a rise of Fl 9, and Amev, which has finished stronger in each session this month, jumped to another record with a Fl 9.50 increase to Fl 271.50.

Reflecting the strength of financials, the insurers index gained 8 points to a 12-month high of 602.50 and the hanking index hit a peak of 339.9 with a 3.3 rise.

Bond prices were unchanged to 30 basis points higher on select overseas buying.

Milan continued to focus attention on the BI-Invest corporate drama. Chemical group Montedison rallied L86 to a record L2,050 after a subsidiary acquired control of BI-Invest for over L200bn. The insurance, financial services and property concern – formerly controlled by the Bonomi family – shed L490 to L5,330.

The profit-taking that erased some of the recent gains in **Frankfurt** was not consistent and by the close some recovery was attempted. The midday calculation of the Commerzbank index, however, reflected the earlier, easier, tone with a 13.5 fall to 1,472.7. The decline was partly attributed to the absence of foreign investors, who were deterred by the fall of the U.S. dollar against the D-Mark.

Most sectors lost ground with electrical, chemical, motor and retailing issues lower at the close. Banks and engineers finished mixed.

Bonds gained up to 30 basis points while the Bundesbank sold DM 18.5m in paper after Friday's sales of DM 81.5m.

Paris drifted in thin trading, while **Brussels** tended mixed. **Madrid** gained ground and **Stockholm** adopted a lacklustre stance after Friday's sharp fall.

LONDON

Sterling adds glitter to gilts

LEADING equities lost ground during dull trading in London yesterday as electronics stocks continued to exert an unsettling influence.

A marginal improvement during the afternoon reduced losses, with the FT Ordinary share index closing 4.5 lower at 951.2 after being off 7.6 around midday.

Sterling's improvement against the U.S. dollar lifted gilts. They also benefited from expectations about today's announcement on June banking statistics.

Some longer-dated gilts rose ½ before easing to close around ⅜ higher on balance, while selected shorts moved up ⅛.

Chief price changes, Page 35; Details, Page 34; share information service, Pages 32–33

CANADA

A MILD weakness developed during trading in Toronto, although a relatively large number of stocks were unchanged.

Among the most active, Stelco Glass traded up C$⅛ to C$20⅛, Canadian Pacific down C$⅛ to C$10⅜ and Pagurian Glass was also down the same amount to C$7⅝.

Montreal was also lower in thin trading.

HONG KONG

INVESTORS remained on the sidelines in Hong Kong with prices fluctuating between narrow margins during a featureless session.

In the banking sector, Bank of East Asia lost 30 cents to HK$23.40, Hang Seng was steady at HK$46.50, while Hongkong Bank firmed 5 cents to HK$7.65.

SOUTH AFRICA

LOWER priced gold shares were the most actively traded in Johannesburg with turnover light in all sectors.

A firm bullion market held up the prices of leading issues, although movements were small. Diamond stocks De Beers added 10 cents to R10.55.

FINANCIAL TIMES SURVEY

Zaire

After years of mismanagement and neglect, a country with enormous potential is implementing a tough programme of rehabilitation. The questions outstanding, however, are whether the Government can win adequate backing from aid donors, win more foreign investment and keep to the path of reform

Taking the IMF medicine

By Michael Holman

RESPLENDENT in his heavily gold-braided Marshal's uniform, baton to hand and decorations on his breast, one of Africa's most prominent and controversial leaders greeted the crowd which had gathered for his reinvestiture with an imperious V-for-victory sign.

It was December 5 last year and Mobutu Sese Seko of Zaire, sole candidate of the only legal party in the presidential elections, had the month before been returned to office for a further seven years to preside over a debt-burdened, impoverished nation whose enormous potential has yet to be realised.

That Mr Mobutu, who as a 35-year-old Lieutenant-General had seized power in November 1965, was back on the presidential podium after two fraught decades is a tribute to his capacity to override dissent, quell rebellions and crush coup attempts, and perhaps above all, to survive the results of his catastrophic economic policies of the mid-70s, and emerge an extremely wealthy man.

The same man, however, has embarked—under the tutelage and close scrutiny of the International Monetary Fund (IMF) and the World Bank—on a programme of economic reform and liberalisation of a scope and duration arguably unparalleled in Africa. Barely an institution or an economic sector has been left untouched. Measures include a massive devaluation in September 1983 which has almost eliminated a once flourishing foreign currency black market, the *lifting of price controls*, the imposition of rigid ceilings on government spending and meeting rescheduled commitments on a U.S.$4.4bn external debt.

If the programme should succeed in reversing the decline of a nation enervated by mismanagement and corruption it will be a remarkable success for the fund and its policies, as well as confounding those sceptics who point to the failures of Zaire's past efforts.

The reform began as far back as December 1982 when President Mobutu called in senior ministers for a review of the country's economic crisis and the measures that were to be adopted.

The scale of the crisis was overwhelming, and had deep historical roots going back in part to Belgium's colonial legacy and in part to the economic mismanagement of the 1970s compounded by external factors over which Zaire had no control—such as the fall in copper prices and the rise in fuel costs.

When Belgium hastily conceded independence on June 30 1960, to the Congo (as it then was), political parties had been given little if any opportunity to forge national rather than tribal or regional institutions, the country had a handful of graduates and an army whose black officers had been newly promoted from the ranks.

Within days the army mutinied, beginning a nightmarish period of insurrection and secession attempts, the consequences of which are remembered with horror to this day. It was amidst a general sense of relief, then, that Lt-General Mubutu took power in 1965 and soon began to stamp his authority on a vast nation which almost straddles the waist of Africa and which had been in danger of disintegrating.

Attractive

From 1968 to 1974, when GDP grew around 7 per cent in real terms annually, Zaire seemed one of the most attractive investment prospects in Africa. A leading copper and cobalt producer, the world's largest supplier of industrial diamonds, rich in coffee, timber, palm oil and other agricultural exports, it also had vast reserves of hydro electric power. With Western bankers enthusiastic to lend, Zaire embarked on a borrowing spree, the burden of which it bears to this day as the Government struggles to service its external debt.

Without rescheduling, Zaire's repayments in 1985 (including payments to the IMF) would have reached nearly U.S.$1bn, nearly 60 per cent of export earnings.

Had the money been invested in well-managed, sound projects, today's story might be different. But much went on grandiose, ill-conceived ventures, and much was siphoned off by a ruling elite whose corrupt practices reached the highest level. The last straw was President Mobutu's decision in November 1973 to "Zairianise" (hand over to Zaire nationals) most businesses in industry, commerce and agriculture, followed by nationalisation when new owners proved incompetent.

In the years that followed Zaire lurched from crisis to crisis, both economic and political. A seemingly endless round of debt reschedulings and IMF programmes which invariably collapsed was accompanied by two rebel invasions of the mineral rich Shaba province in 1977 and 1978.

By the beginning of the 1980s most observers had despaired of Zaire, and it was against this background that Mr Mobutu, now in his mid-50s and perhaps wanting to leave behind a more respectable legacy, decided yet again to start taking the IMF medicine, an essential precondition to debt rescheduling and the support of the World Bank and other major donors.

But it was made clear to Mr Mobutu by sceptical Western officials that he had to prove his commitment before support would be forthcoming. At the December, 1982, meeting the President won the backing of his ministers for the painful economic reforms.

In September, 1983, the Government bit the hardest bullet of all: a massive 77.5 per cent devaluation of the Zaire, which paved the way for an SDR 228m 15-month programme, succeeded on its expiry earlier this year by a further one year SDR 162m loan.

The strains on the country's 31m people have been considerable. The post-devaluation increases in petrol and food prices are only partially compensated in their impact on consumers by the all-in inflation from around 100 per cent to 20 per cent (perhaps higher) at the current annual rate.

It is the low-paid workers and peasant farmers who bear the brunt of cuts in social services, rather than the ruling elite of Zaire's only legal party, the Mouvement Populaire de la Revolution (MPR).

Further, the beneficial impact of some measures is only partial. The lifting of price ceilings on agriculture has helped boost production but many peasant farmers are unable to reach the market because of poor roads or lack of transport.

Others are the victims of the operator of the sole truck in the area, who will take advantage of his monopoly by setting a purchase price well below the theoretical market value.

This is but one example of a problem which neither the IMF programme nor the Western governments and institutions who support it seem able to resolve. Without massive investment in Zaire's infrastructure—the roads, railways, power plants, communications, let alone plant and machinery—a real recovery cannot begin.

Despite measures which have undoubtedly improved the business climate profits and dividends are being remitted for the first time since the mid seventies.

Deterred

New foreign investment is comparatively small, and would-be investors continue to be deterred by the weak infrastructure—as well as continuing reservations about the medium to long-term viability of the Government.

Nor are Western aid sources, themselves with limited funds, able to provide the support needed. Zaire itself is incapable of generating its own resources on the scale needed. Last year, the country paid out over U.S.$190m more to medium and long-term creditors than it received in new funds.

One leading donor has noted that even if the external debt service ratio over the next five years is kept at 20 per cent (through debt rescheduling), annual new disbursements of at least U.S.$430m will be needed just to keep net transfers at zero: "obviously a situation incompatible with recovery or development."

This single issue overshadows all other concerns, of which there are many, including the question whether President Mobutu, far from a model of probity, is capable of ending the financial abuses which have long characterised Zaire and which, despite government efforts, still worry donors and investors.

Undoubtedly the President remains an extraordinarily shrewd politician, shuffling Cabinet and senior army posts, thus eroding the power base of potential challengers, while at the same time co-opting his opponents.

No better example of the latter can be found than last month's return to Zaire by the man who has hitherto been the President's most outspoken critic, the former prime minister, Nguza Karl-i-Bond.

But for all these skills, the outcome of the President's efforts to rehabilitate the economy remains in the balance. At best, several hard years lie ahead before reform becomes recovery.

President Mobutu: efforts to rehabilitate the economy still in the balance.

CONTENTS

ZAIRE 2

After years of hurtling headlong towards collapse, the country is now avidly pursuing IMF-inspired monetary and industrial reforms

Uphill all the way on the road to reform

Economy

PATTI WALDMEIR

THE CONVENTIONAL economic wisdom of the West can claim few such ovid converts in Africa as Zaire, a name which for many years was synonomous with corruption and mismanagement on a scale possibly unrivalled on the continent.

Over the last 2½ years, Zaire has arguably gone further and faster down the road to IMF-*inspired* economic reform than any of the other economically troubled African nations which are seriously testing the fund's *formula*.

It is a country where donors and government officials alike are given to the use of superlatives — *while its potential* is tremendous and exceptionally varied, ranging from vast mineral and agricultural wealth to *hyro-electric power, the* constraints on development are on similarly massive scale.

Until 1983, Zaire was considered a textbook *economic* disaster story, providing a catalogue of the various faults and misfortunes which have produced Africa's current economic crisis: beavy and rasb borrowing in the *mid-1970s to* fund industrial white elephants and fill the cbeque books of the elite, on ill-conceived nationalisation programme in *1973-74* which seriously hurt production, and widespread inefficiency, mismanagement and corruption topped off with a prolonged slump in the prices of copper and cobalt (whicb until recently accounted for two thirds of export earnings).

But both national and foreign economists believe there are now signs that the Zairean economy bas regained a certain fragile stability after years of burtling headlong towards economic collapse.

Since late 1982, the Government bas registered impressive successes in dealing with some of the economy's more immediate constraints: expenditure control and improved revenne collection bave restored public finances to their senses, with the budget deficit falling to 3.4 per cent of GDP in 1984 from 10.5 per cent two years earlier: inflation has been reduced to around 20 per cent from over 100 per cent in 1983: the distortions of a thriving currency black market have been virtually wiped out *througb devaluation and the* subsequent floating of the zaire: and the impossible burden of medium and long-term debt service projected at US$768m in 1985 (half of export earnings) bas been substantially reduced through rescheduling.

Scepticism

As President Mobutu Sese *Seko* points out in an interview in this survey, Zaire's decision in 1983 to launch a programme of economic liberalisation coupled with harsh austerity measures was met with considerable scepticism in the West. This is hardly surprising, given *that it was the fifth successive* stabilisation effort by his Government. IMF-backed programmes in 1976, 1977, 1979 and 1981—*including one* which earned a US$900m loan from the fund, the second largest in Africa—had each proved dis*appointingly short-lived*.

It took nearly a year of painful reforms before President Mobutu was able to convince the West, and particularly the IMF, of his good faith. Between January and September 1983, government spending was cut substantially, budgetary *controls were tightened*, price liberalisation was embarked on in earnest, and initial steps were taken to reorganise the management of the troubled copper industry, where Sozacom, the minerals marketing company, was the source of major leakages of foreign exchange.

September 1983 brought a decision to devalue the Zaire by 77.5 per cent (It bad previously traded at one-fifth its official value on the black market), a move which was rewarded in December 1983 by agreement on an SDR 228m (US$227.54m) 15-month IMF *standby* loan.

Since that time, Zaire has implemented western - style reforms of a breadth and scope which are probably unparalleled in Africa. The main points of the reform effort so far are as follows:

- *The Zaire bas been allowed* to float (although the Centrai Rank continnes to intervene fairly prominently in the market). The move bas nearly wiped out the currency black market, with the differential between the official and black market rates now averaging only 5 to 10 per cent. The adoption of a more realistic exchange rate bas also bad a dramatic impact on exports as it *has* reduced the incentive to smuggle and has made production for export more remunerative. Overall exports rose 20 per cent in dollar terms in 1984, with diamond output up *55 per cent*.
- Quantitative import restrictions have been removed and foreign exchange can be freely purchased through the importer's commercial bank, although the 100 to 150 per cent advance depcsit required by most banks is severely hurting the already poor liquidity situation of many companies. Bankers say deposits were increased early this year to try to stabilise the interbank foreign exchange market which had been seriously disrupted at the end of last year by an unexpected US$25m purchase by the Bank of Zaire.
- Profits and dividends are *being* remitted for the first *time* in a decade.
- Agricultural producer prices have been freed, leading to a significant rise in output in some areas: most other price controls have been lifted or relaxed.
- The management of the minerals parastatal Gecamines has undergone a radical overhanl and the company has embarked on a US$750m five-year investment programme. The notoriously corrupt *minerals marketing firm* Sozacom has been abolished. Plans are in hand to privatise the management or capital of numerous other public enterprises.
- Petroleum imports and distri*bution are on the point* of being liberalised, and energy prices bave been largely de-controlled. The Government has on the *whole* kept within *IMF-imposed* limits on public spending and the budget deficit, although revenue collection remains inadequate.

New seriousness

In *general*, donors say they detect a new seriousness in the economic management of the country since 1983, including less ostentatious abuses of the national wealth. Many subscribe to the theory that it would be unrealistic to expect corruption, which is still rampant, to be reduced much more in the short- to medium-term.

At the highest levels, it funds the system of political patronage on which, they argue, the stability of the nation depends. And at lower levels, it has permeated the very fabric of a society where most workers' official monthly salary cannot feed a family for a week.

Donors have clearly been impressed by President *Mobutu's ability to sustain into* its third year a programme of what one donor representative has called "ruthless, remorseless and relentless austerity—while at the same time scrupulously observing an agreed timetable of repayments of external debt and reductions of arrears."

The IMF bas responded by *extending* a *further* SDR 162m 12-month standby loan, signed in April this year, and Paris Club governments agreed in May to reschedule some U.S.$305m in debts falling due through March 1986 (they had already agreed in December 1983 to reschedule some U.S.$1.4bn of Zaire's debts).

But there is ample evidence that, despite the "good behaviour" of the past twn to three years Zaire remalns essentially on probation—both with the IMF, with many bilateral donors, and with foreign and domestic private investors.

Government was prevented from drawing an SDR 23m tranche of the IMF credit in June this year because it exceeded an IMF-imposed budgetary target, by what government officials insist was a very small amount. They complain of an excessive rigidity in the fund's attitude towards Zaire, and question the wisdom of directing a recovery programme by relying on the more or less mechanical evaluation of economic data on the last day of each quarter, as is the fund's practice — especially in a country whose economy defies statistical analysis.

Despite glowing endorsements of President Mobutu'e programme from Western bilateral donors, who clearly recognise the potential public relations value of a triumpb for Western style economic liberalism in Africa, new commitments from these donors are lagging seriously behind the levels which many economists say would be necessary to launch a recovery, althougb donors have agreed to reschedule very substantial amounts of Zaire's debt, there appears to be a growing owareness among at least some donors that debt relief alone is simply not *enough*.

As the above table shows, Zaire paid out substantially more in principal and interest to these countries last year despite rescheduling than it received in newly disbursed funds—the total of net transfers overall was negative by some US$191.5m.

According to one authoritative assessment, even if the external debt service ratio were kept ot 20 per cent for the next five years through rescheduling, annual new disbursements of around US$490m would be needed just to keep net transfers to zero—without beginning to provide the sums needed to fuel real development.

It may simply prove too optimistic to expect more than this amount from aid budgets which are already under strain from the needs of the more obvious disaster stories in a year of African drought, and many donors argue that it is up to private foreign investors to take up the slack.

But here, too, there is evidence that Zaire is still remembered as a convict, albeit reformed. Altbough the Department of Planning says it registered US$125m in new investments last yesr, economists say many are of dubious value. "There are plenty of people coming in with briefcases bnt very few with spades," says one banker.

Government officials say publicly that they expect 1985 to be the year in which they lay Zaire's bad reputation to rest once and for all. From 1986, aid commitments are expected to increase they say, pointing to a planned World-Bank led structural adjustment programme for industry (put at around US$150m, US$50-75m of it externally financed), as well as o three-year US$375m highways project (US$190m of it to come from external funding).

Unfortunately the bighways project got off to a relstively *slow start* at a donors' meeting in Paris recently, wben less than half of the expected bilateral commitments were forthcoming.

Progress

Privately, *some officials* admit that they cannot yet see the light at the end of the economic tunnel. While there has been significant progress on policy reform, major *structural* obstacles remain. The country's *once*-extensive road network has largely returned to bush, what remains is *dwarfed by the sheer* immensity of this vast country.

The woefully inadequate infrastructure of communications and power is choking off potential growth, and the social infrastructure of schools and *clinics has deteriorated to a* degree where an entire generation has grown up with only the most rudimentary education and health care.

What is more, the productive potential of working Zaireans continnes to be crippled by ludicrously low salaries—Zaire is perhaps the only country in Africa where purchasing power is so low that markets sell onions cut up into quarters to make them affordable.

Unless there is a prompt increase in external resources to back up the Zairean experiment —coupled with strenuous efforts to ensure that aid money is spent wisely by the Zaireans themselves—there is a distinct possibility that the first signs of recovery will prove ephemeral.

Balance of Payments

1980-84 (SDR millions)

	1980	1981	1982	1983†	1984†
Exports (fob)	1,566	1,272	1,317	1,424	1,731
Imports (fob)	−1,131	−1,094	−1,022	−1,041	−1,136
Trade balance	435	178	295	383	595
Services (net)	−695	−745	−791	−839	−938
Net transfers/non-debt	144	207	156	165	116
Current account	−116	−360	−340	−291	−227
Public capital‡	−17	−143	−142	−211	−181
Private capital and errors/omissions	−63	−125	−116	69	−53
SDR allocation	16	16	—	—	—
Overall balance	−180	−612	−598	−433	−461

† Provisional. ‡ Net medium and long-term borrowing.

Sources: Bank of Zaire and IMF. 1 SDR = 0.980205 at December 31 1984.

Net Transfers by Major Donors 1984

(U.S.$ millions)

Country	Disbursements	Service payments principal	interest	Net transfers
Belgium	5.2	15.0	20.7	−29.5
France	10.4	9.4	24.1	−23.1
Germany	10.2	3.1	12.0	−4.9
Italy	28.0	11.0	33.0	−16.0
U.S.	—	12.4	48.9	−61.3
London club	—	—	48.1	−48.1
Multilateral institutions	81.7	15.8	13.1	+52.8

† Net transfers refers to the *difference between disbursements* and debt service payments (principle and interest).

Source: Public Debt Office

Coping with an inflation rate of over 100 per cent meant huge bundles of Zaire currency. Inflation is now down to 20 per cent

Code to stimulate investment

THE *SUCCESS of* Zaire's economic recovery programme will depend to a large extent on how quickly the confidence *of foreign and* domestic private investors can be re-established.

The Government is eager to attract invesiors and a revised investment code, which has been under preparation for many months, is expected to be published shortly. The new code will aim to streamline procedures and expand incentives available under the present code, which dates from 1979.

This code provides concessions according to three separate categories of investment:

For new investments or for the expansion or improvement of existing investments, the code provides:

- Exemption from taxation on profits for up to five years
- Exemption from taxation on company dividends for up to five years
- Exemption from import duties on machinery, plant and equipment for the project (provided that local industry cannot supply the equipment *at the same* quality and price)
- Exemption from taxes on roal property for up to five years
- Exemption from the special tax levied on *expatriate* salaries until marketing of the product begins
- Exemption from value added duties and fixed taxes levied on the *capital* of newly created Zairean companies

For existing firms which agree to re-invest retained profits, the code provides

- Exemptiou from *import* duties on equipment, plant and machinery imported for the project (and which cannot be procured on the same terms locally)
- 50 per esnt relief on taxation of profits
- For certain large investments with an extended payback period, additional *special concessions* can be negotiated on a case-by-case basis, subject to presidential opproval.

The main revisions to the code are expected to be as follows:

- Procedures are to be simplified
- Incentives are to be varied according to region, with the aim of encouraging investment in deprived areas
- Incentives are to be adjusted according to tho number of new jobs ereated and the use of local raw materials
- Firms are to be exempt *from local taxes, as well as from taxes and* duties on exports

There is a separate code *covering investments in the* Inga industrial free zone, which offers the following concessions:

- Exemption from taxation on profits for the first six years after production begins, a 50 per cent reduction for years 7-15 and a 25 per cent reduction for years 16-30
- Duty free imports of machinery, plant and equipment
- Exemption from export tax on finished or semi-finished product exports
- Electricity provided at cost for the first six years, and at a concessional rate for the rest of the project's life
- Guaranteed transfer of dividends.

The participation of the *Zaire Government in foreign* investments is not required, although the Government generally takes a 20 per cent share in private investments in the minerals sector, in exchange for concession rights.

The Government encourages foreign firms to minimise the number of expatriate employees, controlling the numbers of such personnel through work permits and residence permits.

Patti Waldmeir

Magnitude of task puts strain on economic recovery

Debt profile

PATI WALDMEIR

DESPITE ZAIRE'S best efforts to restore sanity to its domestic and external accounts, the sheer magnitude of the country'a debt servicing commitments through the end of the decade (even assuming successive reschedulings) threatens to put a serious strain on any emergent economic recovery.

For the past two years Zaire'a economic stabilisation programme, net transfers from Zaire (defined as the difference between reimbursements of principal and interest and new disbursements of medium and long-term funds) have been substantially negative—a situation which, in the view of one major donor, ia incompatible with recovery or development.

In 1984 alone, Zaire paid out some U.S.$191.5m more to medium and long-term creditors than it received in new funds, despite the fact that 95 per cent of loans falling due to Paris Club members in 1984 had already been rescheduled.

Most creditors agree that for the past 18 months at least, Zaire has behaved as a model client. Tha Bank of Zaire has scrupulously met monthly payments of SDR 14.25m (US$ 14.29m) agreed with Paris Club creditors in 1983, as well as further monthly payments of around an average US$4m to cover interest due to commercial bank members of the "London Club" for tha period January 1984 to March 1985, including soma interest arrears.

In addition to servicing medium and long-term debt, the Bank of Zaire also reduced arrears on short-term uninsured commercial debt and invisibles payments by some SDR 74m, and repaid SDR 113.8m to the International Monetary Fund (over 40 per cent of which went to pay IMF commissions).

In short, Zaire spent more than US$500m to service its external debt in 1984—a figure which represents a hefty 28 per cent of foreign exchange earnings from export.

This record of good behaviour is all the more striking when viewed against the background of most of the last decade, during which Zaire built up a reputation for financial irresponsibility unrivalled anywhere in Africa. The crisis dates from the halcyon days of the mid-1970s copper boom, when lavish and uncontrolled borrowing by government leaders and public corporations (much of it on unfavourable terms and with maturities which the borrowers could not have realistically hoped to meet) left the country with a debt burden whose magnitude could only be guessed at.

Servicing it normally had become impossible by 1976, for a host of reasons including the sharp fall in copper prices, the 1975 closure of the Benguela railroad to the Atlantic coast which hampered exports, the disastrous economic impact of the Zaireanisation measures of the mid-1970s, rising oil costs and world economic recession—and not least of all, because of the unproductive nature of the investments made with borrowed funds, a substantial portion of which covered the personal expenses of prominent Zairean leaders.

The year 1976 marked the beginning of a cycle of virtually annual debt reschedulings of official debt without which the country's debt position would have been untenable. Public and publicly guaranteed debt has been rescheduled six times by the Paris Club since 1976, most recently in May this year when some U.S.$305m in payments falling due between January 1985 and March 1986 were rescheduled, reducing debt service due in 1985 on medium and long-term debt by more than 50 per cent.

Conditional

At the same time, Zaire's commercial bank creditors agreed to extend for a further 12 months the "Gentleman's agreement" worked out in 1983 involving monthly payments to bring the country up to date on interest due to London club creditors.

The Paris Club agreement was made conditional on Zaire meeting the next set of performance criteria set out under its current standby programme with the IMF—a fact which stresses the crucial importance of the IMF's seal of approval to Zaire'a recovery effort.

While the current IMF credit itself will have only a negligible impact on Zaire's external account in 1985—repayments of past IMF loans plus IMF charges will leave only about SDR 10m left from 1985 drawings of some SDR 169m—it is essential to secure the willingness of the Paris and London Clubs to reschedule, probably through the end of the decade.

While unavoidable, the reschedulings clearly increase the burden of Zaire's debt.

External public debt

PROJECTED DEBT SERVICE (MEDIUM AND LONG TERM)
(in US$m, at rate prevailing on December 31 1984)

Categories of Creditors	1985 Principal	1985 Interest	1986 Principal	1986 Interest	1987 Principal	1987 Interest	1988 Principal	1988 Interest	1989 Principal	1989 Interest	1990 Principal	1990 Interest	1991 Principal	1991 Interest
I. Paris club	291.23	236.82	268.59	217.84	252.13	198.45	245.70	179.40	324.84	163.41	301.87	132.83	269.91	101.53
(a) Rescheduled debt	(172.25)	(189.29)	(144.15)	(172.39)	(136.91)	(168.83)	(146.62)	(148.45)	(237.87)	(137.76)	(224.95)	(111.61)	(198.66)	(84.54)
(b) Debt not yet rescheduled	(118.98)	(47.53)	(124.44)	(45.45)	(116.22)	(37.62)	(100.08)	(30.95)	(86.97	(25.63)	(76.92)	(21.22)	(71.25)	(16.99)
II. London club	60.82	42.07	60.82	34.05	60.82	26.13	60.82	18.02	60.82	10.00	30.41	1.99	—	—
III. Multilateral institutions	47.76	18.37	57.15	18.36	59.76	18.12	59.58	15.50	59.31	13.81	21.89	11.19	16,333	8.19
IV. Others	40.94	13.31	35.71	10.64	35.99	8.89	29.13	6.66	24.98	4.33	25.39	2.95	15.94	1.84
TOTAL	440.75	310.57	422.27	280.89	408.70	251.59	395.23	219.58	468.95	191.55	379.36	148.96	302.18	111.56

Source: Public Debt Office. Figures do not take account of the May 1985 rescheduling.

According to the Bank of Zaire, external public debt (medium- and long-term) actually grew in 1984, from U.S.$4.2bn at the end of 1983 to U.S.$4.4bn at the end of 1984—despite the fact that debt repayments exceeded new drawings over the year—as a result of the capitalisation of interest under the December 1983 Paris Club rescheduling.

According to one authoritative source, this resceduling can be expected to add some U.S.$1.2bn to debt service due during the next six years alone, because of tha size of the consolidation under the agreement (which covered some U.S.$1.4bn) and because of the high interest rates prevailing in some creditor countries. As of June last year, nearly one fifth of the total debt consisted of capitalised interest from past reschedulings.

A glance at tha tabla of projected debt aervice will show, however, that Zaire will have no alternative but to keep on the right side of the IMF to guarantee further rescheduling. Without rescheduling (the impact of the latest conditional Paris Clnb agreement is not reflected in the table), debt service in 1985 on medium and long-term debt alone—leaving aside the substantial repayments due to the IMF and further rednctions in short-term commercial arrears—would have consumed almost half of export earnings.

The bndgetary impact of the repayments would have been even more drastic; it is estimated that without rescheduling, debt service payments in 1985 would have exceeded total budgetary receipts. Even with debt service reduced to some US$350m through rescheduling, It will still consume some 18 per cent of export receipts (24 per cent if IMF repayments and arrears reductions are taken into account), as well as over 40 per cent of the government budget.

How President Mobutu views the liberalisation of the economy

A lesson for the rest of Africa

Wide-ranging questions on political, economic and social issues were submitted in writing to President Mobutu by MICHAEL HOLMAN. The President's edited replies are given

Q: What do you consider the most important achievements under the stabilisation programme?

A: In September 1983, when we liberalised the economy both from the point of view of prices, imports and exports, and the exchange rate, very few were prepared to believe that we had any chance of success. Today, the results speak for themselves. The inflation rate has been reduced from more than 100 per cent to under 20 per cent, dividends have been remitted since 1984, and external debt service commitments to the Paris and London Clubs hava been scrupulously met.

Production has taken off, and new investment has come in. All due to a liberal economic code which should provide a lesson to the rest of Africa.

Have you been disappointed by the level of donor support or the recovery programme? Could the relatively low levels of new private external investment and new aid commitments registered so far not put the International Monetary Fund-backed programme in jeopardy?

The proof that these reforms have been recognised by donors was illustrated once again early in June when Paris and London Club creditors agreed to reschedule our external debt. In addition, we were able to conclude last April a new 12-month stand-by programme with the IMF worth SDR 162m (U.S.$161.68m). That's an expression of confidenre in Zaire's ability to honour its word . . .

As regards new external investment, the process is still slow but that is understandable . . . potential investors are showing interest in priority sectors such as transport, telecommunications and agriculture. The economic recovery is not in any perceptibla danger at the moment. The best guarantee (of the recovery) is the fact that we have restored confidence in Zaire.

Potential investors may be deterred by the Government's past record, inclnding the allocation of scarce resources to projects af doubtful value, corruption and mismanagement. What assurances can be given that the same mistakes will not be repeated?

Let us not dwell on the past, let us look to the future. What is corruption? Why do you want to make it out to be a Zairois invention? Why do you insist on bringing it up despite all the efforts we have made which are recognised by all serious observers, and even the most critical of international organisations. The past is definitely dead: the Zaire of today is not that of the past. After all, what interests investors? It is primarily political stability, the credibility of a country's economic policy, and good management. Zaira has all that.

President Mobutu: external assistance, no matter how important, will always be considered as a complement to Zaire's own resorces.

Your reinvestiture speech last December outlined a "septennat du Social" (a seven-year plan for social development) in which problems of housing, health, transport, industry and education would be tackled. Given Zaire's difficult economic circumstances, how will this programma be funded?

Important

We will improve the management of our existing resources . . . and we hope to release additional resources by restructuring the Government's portfolio of state-owned enterprises, by integrating industry, and increasing productivity. External assistance, no matter how important, will always be considered as a complement to our own resources.

A prominent exile, Citoyen Nguza Karl-I-Bondi has returned to Zaire, and it is possible that many exiles will follow his example. Could you explain the circumstances behind this?

I have nothing to describe. It would be better to put the question to the exiles themselves, who have realised that they have made a mistake. Their place is in Zaire and not outside. Like any good father I welcome all my children. Zaire is for all Zairois. As I have often said, there are no opponents in Zaire, because the notion of opposition has no place in our mental universe. In fact, there are no political problems in Zaire.

You said in your December speech that your last term had been exceedingly difficult and that you had radically to revise a number of policies. What ara the characteristics of the "new Mobutu"?

Having succeeded in unifying, pacifying and stabilising my country, I now want to do more on the social side: housing, health, employment, the quality of life. To do this will require better control of physical, financial and human resources at our disposal. These are the characteristics which mark the new face of Zaire.

Flashback to 1978: President Mobutu in three-star general's steel helmet with the army that successfully put down a rebel facion which invaded Shaba and attacked the mining town of Kolwezi. The army is now being increased from about 70,000 to 100,000

Mobutu shows skilful use of power

Politics
MICHAEL HOLMAN

WITH A SKILL that provokes reluctant admiration even from his critics, President Mobutu Sese Seko has for two decades managed to secure the sometimes grudging backing of the West, co-opt some of his most prominent opponents and stamp his highly personal mark on a vast nation.

Few incidents better illustrate these qualities than the return to Zaire last month of Nguza Karl-i-Bond, hitherto the President's most outspoken detractor who has spent the last four years in exile in Belgium.

At a stroke, the President knocked away one of the pillars of the country's opposition, won his endorsement for the painful economic reforms under way, and strengthened his credibility in the West as the man who, for better or for worse, is the only one capable of holding together a potentially divided country.

Once sentenced to death for treason, reinstated, and appointed prime minister for eight months in 1980, Mr Nguza launched a devastating ettack on the President when he once again fell out of favour and decided to opt for exile in 1981.

It was Mr Nguza's allegations of widespread corruption in government, including embezzlement of aid funds and the claim thet he had personal knowledge of misappropriations by the President himself, that helped prompt the U.S. House of Representatives foreign affairs committee in 1982 to cut aid recommend a cut in the allocation for the following year.

While in Brussels Mr Nguza became the leading figure in the loose knit coalition of opposition groups, the Congoiese front for the restoration of democracy, and frequently denounced the Mobutu administration. The President's reforms of the past two and a half years together with the safe return of other exiles under a May 1983 amnesty, has clearly inspired Mr Nguza to think again.

Nguza Karl-i-Bond: he endorsed President Mobutu's economic policies before he returned from exile to Kinshasa.

Whether the two men had reached a private agreement (there is speculation that Mr Nguza may once again be given high office) is not known. Before he returned to Kinshasa, the former prime minister made a point of going first to Washington, where his evidence in 1982 had severely embarrassed the Reagan Administration. There he endorsed the President's economic policies and said that he believes that a recovery was indeed under way—no doubt much to the satisfaction both of Mr Mobutu and the State Department.

Whether Mr Nguza's example inspires other opponents remains to be seen. In a one party state (the Mouvement Populaire de la Revolution is the sole legal party) in which the Press and television and radio are rigidly controlled, dissent is bard to assess. Nor does anyone take seriously the result of last year's presidential election, in which Mr Mobutu, the sole candidate, won a resounding 98 per cent of the votes cast and a further seven-year term of office.

Perhaps the most significant internal opposition group is the illegal Union pour le Democratie Social (UDPS). It has its origins in 1981 when a group of 11 members of the National Assembly attempted to establish UDPS as a legal party but ran up against a law forbidding sucb a move and under which offenders have been sentenced to up to 15 years in prison.

Thirteen leading members of the group were arrested in 1982, later to he released under the 1983 amnesty. But after a meeting with visiting U.S. Congressmen in August 1983, when they criticised the Government's record and cited human rights abuses, several were banished to villages in the interior, effectively cut off from the outside world.

The most public display of opposition in recent months has taken place in the small eastern Shaba province town of Moba, where on two occasions (November 1984 and last month), the small army garrison has had to repel attacks hy members of the Partie du Peuple (PRP), a shadowy band of insurgents led by Kabila Laurent, whose origins go back to the secessionist days of the early 1960s.

Although the episodes prompted government fulminations against unnamed neighbouring countries allegedly supporting the rebels, most observers in Kinshasa do not believe that PRP represents any threat—certainly not to be compared with the new quiescent rebel faction which invaded Shaba in 1977 and 1978 and attacked the important mining centre of Kolwezi.

The army itself, to be increased from around 70,000 to 100,000, is more than capable of dealing with et least this level of dissent in the provinces, diplomats in Kinshasa believe, ill-trained and disorderly though it often is.

Military assistance and training programmes from such diverse countries as China, France, Belgium and the U.S. ensures at least a degree of efficiency, while the President's own security is in the hands of an Israeli-trained presidential guard.

On the foreign affairs front, the President remains firmly in the Western camp, and frequently out of step with his colleagues in the Organisation of African Unity.

From the OAU perspective, the most contentious issue was Zaire's decision to reopen diplomatic relations with Israel in 1982, prompting an immediate suspension of Arab aid which has not been compensated by Israeli funds. President Mobutu may well have been hoping that the move would indirectly strengthen his case in the U.S., hy bringing the powerful Jewish lobby onto his side.

The break with the OAU finally came last November, when Zaire suspended membership of the organisation in support of Morocco over the Western Sahara dispute, an issue which had long divided the OAU and prompted the President to suggest that black-Africa was spending too much time and energy on what he saw as essentially Arab affairs.

Confidence creeps back

Relations with Belgium
PAUL CHEESERIGHT

TAKE three events which et first sight appear to have little in common. All happened in and around the Zaire 25th anniversary celebrations.

Tha first concerns Baudouin, King of tha Balgians. On his trip to Zaire, he was applauded, feted, wherever he went—Uncle is back. A sort of euphoric celebration of links between the one time colonial power and tha latter day Mobutu state.

Then, the question of the old KDL railway, once financed by a host of small Belgian investors. They should have been compensated for nationalisation over five years from 1981 to 1986. By this time last year only one payment had been received. But this year Zaire has made a payment more or less on time and investors are soon to get some money back.

Last, Societe Generale de Belgique, the biggest of the Belgian financial and industrial holding companies, signed a BFr 30m credit agreement with the Zaire Finance Ministry, in spite of tha fact that SocGen units no longer play the marketing role they once did for Zaire's minerals.

These isolated events all suggest that confidence is creeping back into a commercial relationship blighted by mistrust and made more distant both by the perception that the regime was corrupt and therefore costly and that it simply could not pay for what it bought. Zaire was better known in Brussels for signing agreements than executing them.

Undoubtedly a fillip was given by the decision of tha Ducroire, the Belgian export credit agency, at the end of last year to lift its blanket refusal to guarantee exports to Zaire. Now it is more selective.

For its part, Zaire has been seeking to woo Belgian business, pointing to a new stability in the economy. Last spring, Citisen Liyonda Ekila, the ambassador to Belgium, offered an investment guarantee agreement similar to that Zaire has with the U.S.

Expansion of business though would move off e relatively strong base. There are over 8,000 Belgien companies employing less than 100 people with export business, and of them more than 10 per cent sell in Zaire.

In total, Zaire is Belgium's second largest commercial partner in Africa after Nigeria. After holding underneath BFr 9bn for some years, Belgian exports started rising last year to reach BFr 11bn in the first eleven months.

The pattern of Zaire's sales is more erratic—BFr 26.5bn worth of goods came to Belgium in 1982, but the total slipped to BFr 20.1bn in 1983 before climbing to BFr 27.3bn in the first eleven months of 1984.

It is a classic developing-industrial country relationship. Zaire provides the raw materials. Belgium provides machinery, transport equipment, chemicals and textiles.

Over half of Zaire's sales in Belgium are copper. And it is here that the Societe Generale group has been playing a crucial role. The copper is smelted by Metallurgie Hoboken-Overpelt under a contract signed in 1983. Until this month, this copper was marketed by Societe Generale des Minerais, which had also until the stert of this year, marketed Zaire's cobalt—exports of BFr 2.5bn in the first elevan months of 1984.

Nearly BFr 9bn of Zaire's exports to Belgium come from diamonds. Worldwide diamond marketing has been undertaken for Zaire hy the De Beers Central Selling Organisation, but there have been suggestions that Zaire is considering a change in this relationship and that Belgian interests, based on the diamond centre of Antwerp, have been trying to win the sales contract.

But the handling of the copper, cobalt and diamonds marketing shows thet Zaire is ettempting to gather to itself or strike an independent role in the activities that have been parcelled out to others. And this betokens a gradual change in Belgium's commercial relations with Zaire

Two years ego. President Mobutu threatened to withdraw copper supplies from Hoboken-Overpelt and the contract signed then was for a definite duration. In other words Zaire wants to manage its development its way. No question of reviving the colonial relationship in a subtler form.

And President Mobutu in e gentle way reminded King Baudouin of that at the 25th anniversery celebrations. Zaire's sole wish, he said, was to see Belgium meeting its "moral duty"—wholeheerted and sincere collaboration—for the total success of Zaire's development objective.

He has come to terms with Belgium's desire to see its African policy not as a Zaire policy but as a more rounded exercise with Zaire et the centre.

But on the ground and not up in the lofty political rhetoric, Belgium and Zaire ere feeling their way towards a new relationship. This can be seen in two linked ways.

First, at least until the end of last year, the number of Belgians in Zaire has been dropping. According to Belgian Embassy figures from Kinshasa there were 20,422 Belgians in Zaire at the end of 1975, but only 14,282 at the end of last year.

When a Belgian manager in the Zaire private sector retires, he is often replaced by a Zairean. And changes in the aid programme have led to a reduction in the number of Belgians. It is at this point thet the second way comes into play.

Zaire is Belgium's most important aid destination. It accounts for about a third of the aid budget, receiving some BFr 4bn a yeer, plus last year a BFr 600m state-to-state loan and a National Bank of Belgium credit line of BFr 1.5bn. But the way in which the money is being spent has been changed.

Over half the aid in 1984 went on education, but this is being redeployed in favour of first agriculture and then transport, energy and the rehabilitation of Zaire's neglected infrastructure—all of which provides extra work for Belgian business.

In all of these sectors, according to M Bemba Saolona, president of the Zaire Business Association, recently in Belgium looking for investment, what Zaire wants are joint ventures. The omens for those are better than they have been for years, not least because Zaire and Belgium have been sorting out the niggling worries that sour bilateral relations. The Zairean authorities, for exampla, have negotiated a 20 year repayment period for a Belgian telephone bill of BFr 1.5bn.

One of the high users of energy is mining. Above is the copper electrolysis plant in the Luilu plant, Kolwezi

Steps to improve efficiency

Energy

PETER BLACKBURN

FUEL SHORTAGES in Shaba, Kasai and other interior regions could be eased following the Government's recent decision to end state-owned *Petrozaire's* monopoly of the import and distribution of petroleum products.

The decision is seen as further evidence of the IMF's growing influence and the *Government's desire to improve* efficiency by economic liberalisation.

The secretary general for energy at the ministry of mines and energy, Mbonga Magalu Engwanda, said "The methods still have to be defined by the Government but the decision to open up the sector to private competition has been taken."

But Mr Mbonga warned against any immediate improvement of fuel supplies in the interior. "The shortages are mainly due to transport problems," he pointed out.

Low water levels during the dry season have severely hindered tha transport of fuel upriver by barge.

The Government has proposed that the four oil distribution companies construct storage depots in the interior so that stocks can be built up during the rainy season.

However, the companies are reluctant to invest until they have assurances about government pricing, taxation and other policies.

Since June, Mobil, Shell, Fine and Texaco have been importing petroleum products directly. Petrozaire has taken 40 per cent stakes in Mobil, Fina and Texaco and reduced its 60 per cent stake in Shell to 40 per cent. The companies pointed that it would be anomalous for Petrozaire to have e majority interest in the four rival firms.

Oil executives said that if tha new system is to work then tha Bank of Zaire must provide adequate foreign exchange to *guarantee supplies.*

Another vital condition is that petroleum product prices be reviewed quarterly. Since the beginning of the year tha Zaire bas depreciated 20 per cent against the dollar and the distribution companies say they cannot be expected to bear the cost and remain competitive.

Vital condition

Arrangements have also been made for the companies to repay nearly 1.5bn (U.S.$12.5m) to Petrozaire. A large part of the debt arose after the companies delayed paymants to Petrozaire in retaliation against the Government taking the windfall profits on oil stocks after devaluation.

Tha companies have agreed in principle to repay Petrozaire over six months after the modalities for liberalising the sector have been officially adopted.

The companies heve also indicated that they are prepared to buy refined products from the local Sozir refinery provided that the bigher cost relative to imported products is reflected in the local price structure. At the same time, they maintain the option to buy imported products if this proves cheaper.

However, the 750,000 t/yr refinery, located at Kinlau, 300 km south west of Kinshasa on the Zaire river estuary, has stopped operating, according to oil executives in Kinshasa.

Energy officials explain that it *is cheaper to import products* rarther than refine locally. The refinery was designed in tha sixties to refine Iranian light crude before Zaire became e producer.

As a result the refinery is unable to refine tha local heavy crude and produces a 60 per cent surplus of residual fuel that has to be exported at uneconomic prices.

France'a Technip is currently carrying out a study financed hy the World Bank's soft loan agency, the International Development Association (IDA), to see if it is viable lo adapt the refinery to process *local crude.*

Local oil production is currently about 35,000 b/d, according to industry estimates. The main producer is Gulf Oil Zaire (Chevron) which is now averaging just over 25,000 h/d on its offshore concession covering Zaire's entire 36 km coastline.

Output fell 4,000 b/d earlier this year after water broke through into one of the main producer wells on Gulf's offshore Mibale fiald.

Output is expected to recover to 27,000 b/d as production builds up at the new Lukami field and is expected to peak at around 30,000 b/d in 1986.

However, there ere several promising new offshore structures, according to Gulf's manager in Kinsbasa Sid Mcbaney. Two more exploration *wells* are planned late 1985 and early 1986.

Reserves

Even if no new discoveries are made there are sufficient reserves to ensure continued output at current rates for another 10 years.

Gulf is tha operator of a consortium along with Japan's Teikoku Oil Company and Union Oil of California.

The country's other producer, Zairep, is a consortium comprising Belgium's Petrofina, Shell and Amoco. Production has been expanding at its offshore concession near the coast.

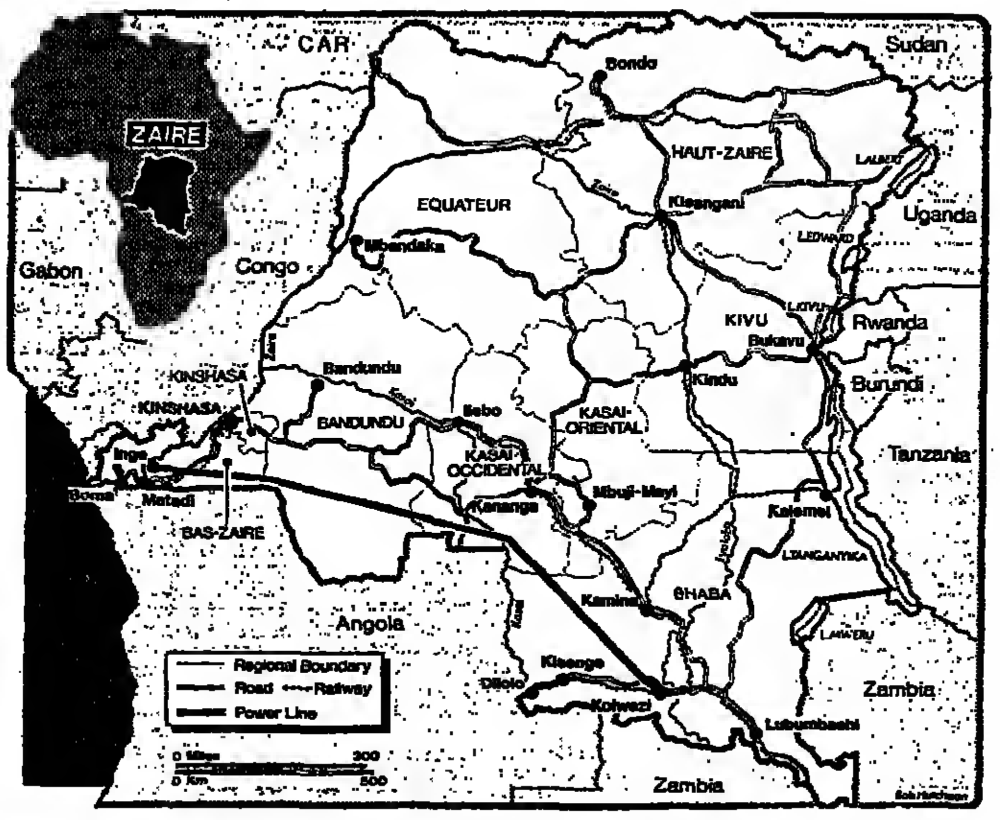
The Government is also trying to encourage exploration in the central "Cuvette" region and the Eastern Rift valley. *Japan's National Oil Corporation* financed a survey of the "Cuvette" region.

A pilot project financed by the EEC is also heing prepared to exploit gas lying 300 metres beneath Lake Kivu. It involves the construction of two plants to provide methane, compressed gas and urea. The project would benefit Rwanda and Burundi as well as Zaire.

Major investors stay away

Zofi investment zone

PETER BLACKBURN



FEW COUNTRIES possess so much energy yet have been abla to put it to so little productive use.

At Inga, some 50 km up the Zaire River from tha port of Matedi, is tha site of the world's most important concentration of hydro-electric power with a potential generating capacity of 43,750 Mw. Over a 15 km stretch the river falls nearly 100 metres, while the volume of water flowing down is the second most important in the world after the Amazon.

The decision to devalop Inga's potential was taken during the copper boom of the late 'sixties when it seemed as if the Zairean economy might be set for rapid expansion.

A 350 Mw power station, Inga 1, was completed in 1972 and followed five years later by the much larger 1,400 Mw Inge 2. By then the copper boom had collapsed and tha economy sunk into recession. Plans to build the 3,000 Mw Inge 3 power station have been frozen, while tha vision of a 39,000 Mw "grand Inga" bes evaporated.

Only some 20 per cent of Inga's present capacity of 1,750 Mw is being used, according to Zofi officials.

In order to utilise some of the spare capacity and to promote national unity a high tension line was built from Inge to the secessionist prone Sheba mining region on the other side of the country.

The 1800-km power line, the longest in the world, was built and financed by the U.S. et a cost of US$800m. It was completed in mid-1983 but has so far been operating et only ebout one-third of its 500-Mw capacity and is proving a huge white elephant. Its main client, the Gecaminas mining company, still obtains two-thirds of its energy from local hydro-electric power stations.

Although most of the area between Inga and Shaba is without electricity the direct current line can only be tapped by building costly transformer sub-stations, observers say.

Another initiative to try to amortise the huge investment involved in the Inga scheme was the creation of the Inga free zone (Zofi) euthority in 1981.

But after four years of energetic promotion and despite offering abundant supplies of some of the world's cheapest electricity, Zofi bas so far failed to attract a single major investor.

Several reasons underly this failure:

● Initially the political and economic climate was unfavourable. But business confidence has improved since sweeping economic reforms were introduced late 1982 and the Government showed a fresh resolve to respect a stringent IMF austerity programme.

● Zofi has also been overtaken *by other development priorities.* The World Bank and other aid donors believe that priority should be given to agriculture and transport rather than the costly infrastructure needed to attract industrial investment to the Inga free *zone—a 64,000* sq km area in lower Zaire between the coast and Kinshasa. Infrastructure loans would inflate the country's already heavy debt and yield at best medium to long term benefits, they say.

● Some critics consider that Zofi's promotional policy has been misguided. "Zofi might have had more success in seeking medium rather than mega investments" one critic in *Kinshasa said.* Zofi officials indicate that investment rules might be relaxed to permit projects consuming less than 10Mw per year.

The first project likely to be implemented is a relatively modest charcoal export scheme promoted by an Anglo-Kenyan group called Equatorial Carbons. The U.S.$30m project will be mainly Arab-financed with output destined mostly for the Middle East and Nigeria.

The project would be located on a 50,000 bectare site near Boma and one of the conditions is that all forest cut down must be replanted with fast-growing species.

The charcoal project would only consume ebout 14Mw of electricity per year but requires relatively little *infrastructure.* Zofi officials say a U.S.$280m Canadian fertiliser export project—also close to being finalised though it is unlikely to be implemented for about a couple of years.

Ammonia plant

It involves the construction of a 1,000 tonnes per day ammonia plant probebly near Boma and would consume 420 Mw a year yielding the government electricity revenue of about U.S.$30m annuelly.

As tha ammonia can be exported in ships of less than 15,000 tonnes capecity the existing port of Boma can be used. The Boma location, compared with tha rival Moanda-Banana 100Km down the estuary on the coast would avoid the construction of a power line and save about U.S.$15m.

However, prospects for the largest and oldest project — a U.S.$1.3bn aluminium scheme seem increasingly remote. The project was promoted by a nine-member consortium led by Alusuisse and envisaged the construction of a 210.000 tonnes a year smelter whicb would consume 345 Mw of electricity a year.

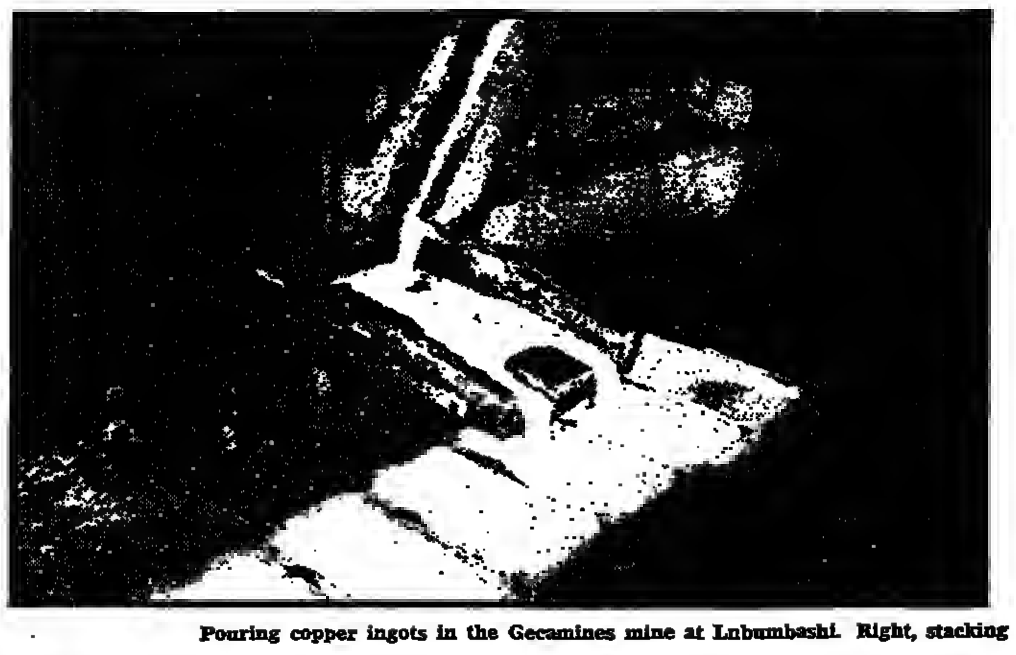
But Zaire has now cancelled the agreement with Alusuisse on the grounds that the conditions laid down by the Swiss group were unacceptable. Other partners are being sought, including the International Finance Corporation.

The consortium had insisted on a firm government commitment to construct a deepwater port at Banana and provide related transport and power infrastructure before going ahead with the project.

After several delays an aid donors' meeting to discuss the funding of the Banana port and related infrastructure is now expected before the end of the year, eccording to Zofi officials.

The original U.S.$350m scheme has been halved and split into two phases spread between 1986-90. While the Government is expected sbortly to approve what is described as a "minimum" solution it is far from certain that it will gain the support of aid donors especially as the aluminium acbeme appears increasingly uncertain.

The target is higher productivity



Pouring copper ingots in the Gecamines mine at Lubumbashi. Right, stacking the finished zinc products at a mine in Kolwezi

Gecamines

PETER BLACKBURN

A HUGE slagheap and a tall chimney belching out clouds of dirty smoke are traditional landmarks at Zaire's copper capital, Lubumbashi, in the remote south-eastern corner of the country.

The chimney and slagheap are part of an ancient factory belonging to Gecamines, the state copper mining company, and recall images of the 19th century industrial revolution.

Despite the antiquated machinery and grimy, smoke-filled atmosphere, the factory continues to work round the clock and pour ont some 160,000 tonnes a year of copper blister.

However, the thermal copper recovery process is neither tbe bealthiest nor the most efficient with an estimated 5,000 tonnes a year of copper going up in smoke and coming down on the lettuces in ontlying market gardens.

Soon the people around Lubumashi may be ahle to breathe more freely thanks to a U.S.$2m EEC-funded project to filter the smoke and recover the copper.

Some U.S.$6m is also being invested in electric furnaces which will save 18,000 tonnes a year of coke and recover an extra 800 tonnes of copper.

The investments are part of Gecamines new $750m five-year investment programme whicb differs from its predecessor in trying to increase productivity instead of production.

"The object is to make Gecamines cost-competitive so that it can retain its share of a market which is likely to remain stagnant over the next 10 years," Mr Mulenda Mbo, the head of Gecamines production, said.

Zaire, unlike neighbouring Zambia, has abundant reserves of copper and in the past bas tended to maximise revenue by raising ontput, but confronted with depressed markets it can now only raise earnings by producing more efficiently.

About one-third of the new investment programme is designed to reduce costs and raise productivity and another 60 per cent for equipment maintenance, according to Mr Ken Brabants, planning director.

Hydroelectric power

One of the main aims is to reduce dependence on imported fuel by making greater use of local hydroelectric power. The 1,800-kilometre power line from Inga in lower Zaire is at present used at less than one-third of its capacity of 500 Mw.

Gecamines plans to equip the 100- and 150-tonne dumper trucks in the opencast mines with an electric rear wheel trolley assistance system. This abould both economise 19 litres of gasoil per kilometre and triple transport speed.

Althougb Sbaba has been called a "geological scandal" because of its substantial mineral wealtb, production costs are relatively high compared with other developing country producers such as Chile, Mr Mbo pointed out.

Copper-bearing ore is located much deeper underground in Shaba and 10 times tha volume of overburden must first be removed. However, the ore bas an everaga 4 per cent copper content compared with only 0.5 per cent in Chile.

Shaba's isolated, landlocked position greatly inflates transport costs. It is 80 times more expensive to deliver e 150-tonne truck to Kolwezi—a 2,750-kilometre rail and river journey from the port of Matadi—than to a Chilean mine, according to Mr Mbo.

It takes nearly two months to transport copper from Shaba to Matadi and at present there is nearly 130,000 tonnes of minerals on the way representing a beavy financial hurden.

Despite these disadvantages Gecamines remains competitive mainly becausa it produces cobalt as a byproduct of copper at marginal cost. Zaire is the world leading producer of this strategic metal supplying 60 per cent of the world market.

Even so, Zaire's competivity is compromised unless its new investment programme, already one year behind schedule, receives external support.

A number of donors' meetings have been postponed for various reasons—the latest being the creation of a state trading company, Sonatrad, to co-ordinate tha purchase of equipment and supplies for Gecamines and other major public enterprises. Donors are sceptical whether it is the best way to speed up procurement and cut costs.

A comprehensive restructuring of Gecamines last November involving the creation of a bolding company with production, marketing and development subeidiaries also caused delay.

Although the demise of Sozacom, the mineral trading company, was widely welcomed some analysts wondered why it was still necessary to split the marketing and production functions. They also wonder if a holding company serves any effective purpose.

However, the new company structure only started operating from January 1 and it is still too early to draw firm conclusions, the analysts add.

"Further delay in investment could lead to a fall in output," Mr Mbo said. The last investment programme, aimed at increasing copper output by 100,000 t/yr, was abandoned after the second Sheba war in 1978.

Since then there has been little investment to replace equipment and machinery. Gecamines has so far been able to operate at virtually full capacity by exploiting stockpiles of lower grade ore. This has increased costs as greater volumes have bad to be processed while quality bas also declined.

Apart from a guarded cemetery on the outskirts of town and the occasional bullet-riddled building there are few signs today in Kolwezi of the bloodshed in whicb 120 expatriates and 800 Africans were killed.

Although unrest persists it is mainly in northern Shaba several hundred kilometres eway. "Kolwezi is now better defended and another surprise attack unlikely. Wa no longer talk about it," an expatriate engineer said.

Stockpiles

Instead, engineers talk about the diminishing stockpiles, delay in removing the overburden before attacking new copper seams and the steadily diminishing number of operating trucks and cranes.

The problems are nowhere more apparent than at Kolwezi which accounts for about 80 per cent of Gecamines' total output. Lack of spare parts has put out of action more than half the 60, 100 and 150 tonnes trucks operating at the eight open cast mines. As a result, activity has slowed at the buge Musonoi mine during what should be the peak dry season period.

A five mile drive underground in the nearby Kamoto mine reveals similar problems. Nearly 500 metres below ground level where the copper seams flatten out, Gecamines is using the "room and pillar recovery method" on a scale never before attempted in the world, according to the section leader Mr Kasongo Kabwe.

Each "room" is 12 metres high, 15 metres wide and 100 metres long and contains some 30,000 tonnes of mineral bearing ore. After each "room" bas been emptied it is refilled with slurry and rock backfilling before the adjoining pillar is removed.

However, refilling has been delayed by a shortage of transport while problems with pumping and electrical equipment mean that mining is sometimes carried out in obscurity and knee deep in water. Notwithstanding, Gecamines plans to remove the first pillar shortly—a crucial test for the system.

In addition to investment in equipment and machinery Gecamines also plans to intensify the training of Zairean engineers and managers so as to speed up the replacement of expatriates.

The aim is to reduce the number of expatriates to 500 from 700 by the end of 1988 though only if qualified Zairean replacements are availahle, Mr Mbo said.

An expatriate engineer costs three times more than his Zairean counterpart when travel, honsing, bealth and other benefits are included. It is estimated that the 700 expatriates cost nearly as much to employ as Gecamines 33,000 Zairean manual workers. There are in addition nearly 2,500 Zairean engineers nearly 2,500 in the total 36,000 workforce.

Gecamines is also taking a more critical look at the technical assistance it receives to ensure that it is both cost effective and results in a real transfer of technology.

The progress of a team of Canadian consultants financed by the World Bank is being closely followed. While the Canadians appear to be having difficulties in improving production methods they seem to be having more success in strengthening financial management.

"Engineers bave always been the prima donnas et Gecamines and they don't welcoma advice from ontside," one analyst commented. "The financial division sess the consultants as a means of gaining greater authority in decision-making," be added.

Earnings forecasts are described as "cautious" by finance director M Jean-Pierre Bouyer. Gecamines is counting on no more than "stability" in copper and cobalt markets for the rest of the 1980s. Dollar prices are at their lowest level in real terms since tbe 1960s thougb they bave recently risen in other currencies.

On tbe other band, the 80 per cent devaluation of the Zaire in September 1983 followed by tax reforms bave greatly improved Gecamines casb flow and ability to reinvest. though it is still seeking substantial external support for its new investment programme.

Given forecasts of e stagnant world market and inebility to raise output or prices, Gecamines' strategy for higber earnings is to cut costs. The financial manager's time may at last have come.

Gecamines

	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975
					(in '000 tonnes)					
Production:										
Copper ...	464.0	465.8	466.4	468.2	425.7	369.8	391.3	450.9	407.7	463.4
Cobalt ...	9.1	5.4	5.6	11.1	14.5	14.0	13.1	10.2	10.7	13.6
Zinc	66.1	62.5	64.4	57.6	43.8	43.7	43.5	51.0	60.6	65.6
Sales:										
Copper ...	449.2	478.7	534.4	447.5	439.0	334.9	441.2	446.7	433.3	433.4
Cobalt ...	13.3	9.6	6.9	8.8	11.6	15.5	12.6	10.0	12.8	11.9
Zinc	60.4	77.9	63.7	79.9	20.3	31.5	41.9	64.1	84.1	28.1

Source: Gecamines.

Move towards liberalisation

Parastatals

PATI WALDMEIR

IN ITS POLICY towards state-owned enterprises (parastatals), as well as in so many other areas of economic management, tha Zaire Govarnment has embraced the theory (if not fully the practice) of Western-style economic liberalisation with a fervour uncommon on tha African continent.

Plans are in hand to privatise either the capital or tha management of many of the 47 state enterprises now in the government portfolio: others are to be reorganised along commercial lines: non-viahle enterprises are to be liquidated: parastatal managers are to be encouraged to become entrepreneurs rather than civil servants: in short, as government officials constantly reaffirm, the supremacy of the profit motiva in the parastatal sector is to be assured.

This policy has, not surprisingly, won firm support from Western donors, wbo bave been highly critical in the past of wbat they delicately refer to as a "lack of transparency" in the use of sales revenues from some major parastatals, notably Sozacom, the now-defunct minerals marketing parastatal.

The abolition of Sozacom, whose practice of making "uncompensated sales" of the production of mining parastatal Gecamines had constituted e serious drain on the foreign exchange resources of the nation, is widely viewed as the main achievement of parastatal sector reform to date. But now there is concern among Zaire's Western backers, especially the World Bank, that this achievement could be jeopardised by the creation of a new trading parastatal, Sonatrad, which could have a major impact not only on tha mining sector but also on public utilities and public transport.

Sonatrad, the Société Nationale de Trading, was created in March this year to handle procurement of equipment and consumer goods for five public enterprises: Gecamines; the transport parastatal, Onotra; the railway company, SNCZ, the electricity parastatal, SNEL; and the water board, Regideso.

Its stated aim is to reduce procurement costs through making grouped purchases, to standardise equipment in tha public sector, and to improve market information by assembling data in a single centre.

Whila it is clearly too soon to judge the operations of the enterprise, the degree of donor concern over the issue is reflected by the fact that the World Bank postponed a fund-raising meeting due to be held in Paris last month in support of Gecamines' U.S.$750m investment programme, largely because of doubts over Sonatrad's impact on the newly-restructured Gacamines.

Any "lack of transparency" in the operations of a company which could be expected to handle bundreds of millions of dollars worth of orders each year would obviously be of serious concern to Zaire's Western backers.

High reputation

Even if the clear opportunities for graft represented by Sonatrad are resisted—its newly-appointed managing director, Belgian Robert Crem, has e high reputation—there is concern that the quite legitimate aims of tha company may simply prove too ambitious. Experiments in centralised stocks management, notably in eastern Europe, bave had mixed results even in countries where management resources are mnch more plentiful than in Zaire.

The danger, say donors, is that the added weight of bureacracy, coupled with poor communications between Sonatrad and its clients, might leave these companies with a less efficient and more costly procurements system than that now in operation.

While tha creation of Sonatrad appears to run connter to the liberalisation trend the Government is at the same tima taking major steps to reduce its intervention in e number of other key areas, notably the petroleum sector.

Agreement has been reached in principle to ebolish the monopoly of Petrozaire, the state oil company, over petroleum imports whicb will henceforth be handled by tha private sector. Public finances will get a major one-off boost as privata oil companies operating in Zaire are expectad to pay off some Z1.5bn (U.S.$27.42m) in old debts to Petrozaire as part of the liberalisation.

In addition, negotiations are well advanced on the proposed privatisation of the management of two of the country's most notoriously inefficient parastatals, Air Zaire and the state shipping line Compagnie Maritima Zairoisa (CMZ).

Donors applaud these signs of progress. But they note sction on liberalising the parastatal sector bas been tortuously slow despite the fact that, in the words of State Enterprises Commissioner (Minister) Citoyen Mokonda Bonza, "These enterprises cause enormoua problems." Of 37 firms singled out for privatisation by the Government as far hack as February 1982, only e bandful heve so fer had their capital or management privatised, and remaining parastatals continue to suffer a bigh degrea of political interference in their operations.

Rapid growth as biggest export earner

Diamonds

PETER BLACKBURN

ONE OF THE various obstacles to be overcome ou the way out of Kinshasa's Ndjili airport is a little room containing three fierce-looking men.

They are checking mainly for diamond smuggling which is again reported to be on the increase as the black market rate for tha dollar creeps to 10 per cent above the official rate.

This is suggested by figures published by the Centre National d'Expertise (GNE) which show that the output of artisanel diamonds rose by 9 per cent but fell 2 per cent in value during the first five months of 1985.

Lower world prices and a possible decline in the quality of diamond output partly explain the difference. "There is much less fraud now than before tha diamond industry was liberalised in 1982," General Makanzu Meleka, the CNE'e director, emphasised.

Diamonds are even being smuggled into Zaira from Angola in the Kahemba region. It is now the dry season and peak production period in both countries.

The ending of the government diamond monopoly combined with the 77.5 per cent devaluation of the Zaire in September 1982 resulted in a remarkable improvement in exports from the world's largest producer of industrial diamonds.

Official diamond exports rose by more than 80 per cent to U.S.$139m in 1983. They rose a further 55 per cent to U.S.$216m in 1984. There is a 1.5 per cent tax on official exports.

Diamonds are now Zaire's biggest export earner after copper and oil. Although the rapid growth of the past two years is unlikely to continue, officiels hope that the present level of export earnings will at least be maintained.

Last year the 17 independent diamond purchasing offices bought 63 per cent of tha national output, Sozacom the former state minerals trading agency 10 per cent while the remainder was bought by tha De Beers Zairean subsidiary, British Zaire Diamond Distributors (Britmond), from tha production of the state-owned Société Minière de Bakwanga (MIBA).

Stability

Since January 1 Sozacom has been replaced by the marketing subsidiary of the Gecamines holding company, ona of its main aims is to help provide stability in the local diamond market by buying up surplus production, according to Mr David Zollmann, diamonds director.

The largest of the local diamond purchasing offices, De Beers subsidiary Sediza, performs a similar function, according to director General Nick Davenport. Last year Sediza made nearly 30 per cent of the total purchases of the offices. Its purchases, mainly of lower quality stones, totalled U.S.$38m or more than double other major buyers such as Afridiam and Scipa-Mines.

Competition among the offices is intense, especially for gem stones. Each office is expected to make minimum purchases of US$6m a year, although eight failed to do so in 1984. In addition they have to pay a US$60,000 registration deposit as well as a US$50,000 annual licence fee.

Artisanal diamond mining is mainly alluvial and centred on Tchikapa in Western Kasai. About 40 per cent of output is of gem atone quality and much sought after by the buying offices. The average price of the 10.6m carats bought in 1984 was US$12.8 with four offices having an average price of over US$40 per carat.

While the liberalisation of the diamond sector has greatly boosted government revenue it has also caused severe problems for MIBA, tha state diamond mining company, based at Mbujimayi in Eastern Kasai.

MIBA was obliged to hand over 73,000 bectares of its 78,000 ha concession to small-scale diggers. However, tha remaining 5,000 ba were the richest part of the concession and are constantly being invaded by illicit diggers.

"Security is e major problem. It is difficult to patrol such e wide area and stop the richest deposits being creamed off," MIBA's chief executive officer Bruno Morelli said.

During the dry season there are an estimated 60,000 diggers in the Mbujimayi area and their indiscriminate digging is estimated to have runied e large part of the diamond mining area. "The authorities do not seem to eppreciate the danger," Mr Morelli said.

Rise in output

Despite this problem MIBA output last year rose by nearly 20 per cent to 6.9m carats thongh this is still well below production levels of the 1970s. More than 80 per cent of MIBA's output lest year was of industrial "boart" grade diamonds, 14 per cent of "near gem" and only 4 per cent of "gem quality."

The increased output was partly due to the entry into service of a 1,300 tonne Malaysian-built mobile bucket drag mining platform costing U.S.$9m. It can dig to a depth of 8.5 metres and excavate 1.2m cubic matres a year, though e shortage of energy is preventing it working et full capacity.

A new 4.2Mw Belgian-built hydro-electric power station is dua to be commissioned in mid-1986. The U.S.$9m investment is part financed by Sibekam a subsidiary of Belgium's Societe Generale, which has a 20 per cent stake in MIBA. It is also part financed by Britmond.

The new power station will be used to supply the town of Mbujimayi, thus freeing the existing power station for MIBA's exclusive needs.

"MIBA employs nearly 6,000 people but supports over 30,000 with food, bealth, education and other facilities. It is currently building a 500-bed hospital," Mr Morelli pointed out.

MIBA is also an important revenue earner for the Government which last year took Z753m (US$18.8m) in taxes or 36 per cent of turnover. But Mr Morelli said thet MIBA needed to retain a greater share of its earnings in order to reinvest in spare parts and new equipment, otherwise output would drop.

MIBA has also been battling with De Beers for the past three months over the renewal of an exclusive marketing contract. The price offered by De Beers was rejected as too low but so far no better offers have been obtained in what remains e depressed world diamond market and MIBA made no sales in May.

Zaire previously broke with De Beers and its London-based central selling organisation (CSO) in 1981 but returned two years later. "The market is not fevourable for another breakaway especially as Australian output is rising rapidly," according to one observer in Kinshasa.

"At least De Beers offers price stability in e soft market and the prospect of regular revenue and contribution towards new investments," he added.

Two aspects of the effects of a poor infrastructure in a country four times bigger than France

Tortuous rail and river routes for copper

IMAGINE TRANSPORTING several hundred thousand tonnes of copper a year from London to Athens but without modern transport infrastructure and in the African tropics.

That is the problem facing Gecamines, the state copper mining company, as it seeks to evacuate as much of its output as possible from the remote, landlocked province of Shaba to the coast along the "Voie Nationale."

It is a tortuous route of some 2,750 km, stretching from Lubumbashi near the Zambian border in the south east to the port of Matadi on the Zaire river estuary in the west.

It is a rail and river journey — roads are virtually non-existent — that because of transhipments and inadequate transport facilities now averages some two months.

The first stage involves a 1600 km rail ride to Llebo on the Kasai River, a tributary of the Zaire River. The track and rolling stock are antiquated and insufficient to carry the sharp increase in traffic in recent years.

The copper is transhipped into barges and taken downstream to Kinshasa. Poor rainfall last year lowered the river level and slowed the heavily laden barges as they tried to navigate between the shifting sandbanks.

At the port of Kinshasa, the end of the navigable part of the river, the copper is offloaded onto railway wagons for the final stretch down to Matadi.

By the end of 1984, the average journey had lengthened to an estimated 60 days compared with only 42 days in 1982 as the rail and river system found it increasingly difficult to cope with the heavy volume of traffic.

This year, Gecamines plans to evacuate 47 per cent of the 552,000 tonnes of minerals — copper, cobalt, zinc, cadmium —along the "voie nationale."

"Official policy is to carry as much as possible along the Voie Nationale and the surplus along the southern and eastern routes," M Jean-Pierre Bouyre, finance director, said.

This policy is dictated by the need to economise as much foreign exchange as possible. Also as a government-owned company, Gecamines is expected to use the state railway and river transport system.

Gecamines has been forced to fall back on the "Voie Nationale" since the closure of the Benguela railway, the quickest and most direct route to the sea, in 1975 because of civil war in Angola.

A trial shipment of zinc was despatched in 1981 to see whether the railway was now safe. The convoy took nearly 130 days to reach the port of Lobito, compared with less than 15 days in peacetime, and the experiment was abandoned.

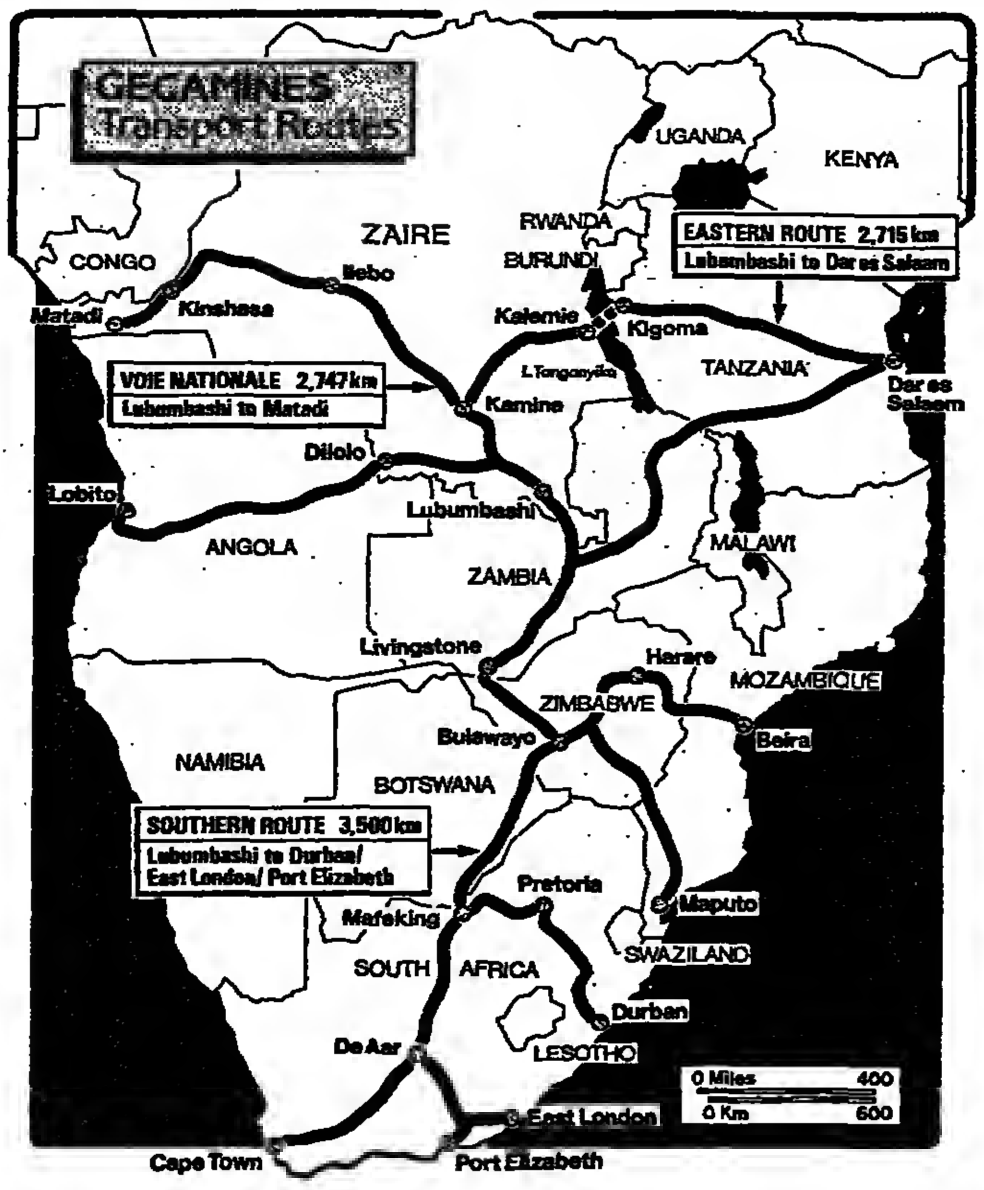
Although the southern route is much further, averaging some 3,600 kms, it is also much quicker taking about 30 days or about half the time on the "Voie Nationale."

The minerals are transported the entire length in South African railway wagons thus avoiding time consuming transhipments. The depreciation of the rand against the dollar has helped to lower the cost, Gecamines officials point out.

Although the southern route passes through three countries including South Africa any political hesitation has been overridden by economic necessity.

Gecamines plans to send nearly 40 per cent of its minerals output, including most of the strategically important cobalt, along the southern route this year. "No cobalt is sent along the Voie Nationale for security reasons," officials explain.

The southern route is also increasingly used to import supplies of food, coke, coal and explosives.



The third major route which runs east to Tanzania is the cheapest but its capacity is limited by congestion at the port of Dar Es Salaam.

The 2,715 km route starts with a 1,300 km rail section to the port of Kalemie on Lake Tanganyika. There follows a boat ride across to Kigoma and then the railway to Dar Es Salaam.

The eastern route is slightly quicker than the Voie Nationale and this year is expected to carry 66,000 tonnes of minerals. However, its future use may be jeopardised by the cooling of relations between Zaire and Tanzania after attacks on the Zairean towns of Kamelie and Moba by dissidents allegedly based on the other side of the lake.

As a result of mounting transport problems and delays there is now an estimated 130,000 tonnes of minerals in the transport pipeline between Lubumbashi and the various ports of exit, according to Gecamines Mr Ben Brabants, planning director.

This is well over double the amount in the "pipeline" when the Benguela railway was open and represents a huge financial burden for Gecamines.

Transport is out of Gecamines direct control but unless the state railway and river transport corporations take urgent action to improve the "Voie Nationale" then the country's leading export earner is in danger of creeping paralysis.

Peter Blackburn

Outlook for transport remains bleak

FIRST TRY to imagine a country four times the size of France, whose main export sources—the mining province of Shaba and the coffee growing lands of the east—are up to 2,000 miles either from the capital Kinshasa or the nearest sea port.

Then take into consideration the fact that a network of about 88,000 miles of usable roads before independence in 1960 has shrunk to perhaps 12,000 of which only 1,400 are paved. Allow for a railway system not only short of rolling stock and locomotives but which operates a tortuous route from Shaba in the far south to the Atlantic Ocean, on which copper is unloaded from railwagons which have travelled from Lubumbashi into barges at the river port of Ilebo, and then back onto railwagons at Kinshasa for the final stretch to the port of Matadi.

The 9,000 miles of navigable waterways are in many parts of the interior the sole feasible transport system, but getting goods to and from the river ports can be an enormous problem for one must also take account of the fact that the size of an ageing truck fleet has been falling.

Imports of trucks dropped from an annual average of 5,500 in the early Seventies to under a thousand by the end of the decade, while spare parts have long been at a premium.

This bleak picture gives some idea of the scope of the problems in a sector which affects the lives of every citizen. For the state-owned Gecamines mining company, generator of 50 to 60 per cent of export earnings, the lengthy journey to either Matadi or the South African port of Durban is a costly exercise.

For the peasant farmer it means difficult and expensive access to markets—it is estimated by one aid agency that farmers receive no more than 20 to 40 per cent of the retail value of their products, mainly because of high transport costs. Such transport as there is will frequently be in the hands of a single operator who takes advantage of his monopoly, thus undermining the impact of government reforms in agricultural pricing policy.

Not surprisingly, then, the transport sector has been the subject of a major review over the past few years, and has been one of the key targets of donor funds, with some US$345m spent on highdays since 1971. Almost all the foreign exchange costs since the mid-'70s of new projects, as well as a substantial proportion of road maintenance costs, have been donor-funded.

Inadequate Government support and management weaknesses in some of the state companies involved have meant that the overall deterioration has not been reversed. Since the early '80s, however, the Government has embarked on an overhaul of the sector. The private sector has been allowed a greater role, while at the same time potentially far-reaching reforms of the state companies has got under way.

Despite the increase in the role of private companies (they handle almost all road transport, two-thirds of internal airfreight and passenger services, and about one-third of the river transport), three state-owned companies in particular play a leading role in the sector.

- Office des Routes (OR), responsible for the construction and maintenance of roads.
- Office National des Transportes (Onatra), whose responsibility includes ports and river services.
- Société Nationale de Chemins de Fer Zairois (SNCZ), the railway company.

All three (as well as the national airline, Air Zaire, and the shipping line, Compagnie Maritime Zairoise) have come under scrutiny, with three main principles to be applied: management and training services must be improved; investment should concentrate on rehabilitation of existing facilities, with little if any money going on new projects; and the capacity of existing internal routes should be raised.

Perhaps the most critical reforms are taking place within Office des Rontes, established in 1971, for en improved road system underpins Zaire's exports to realise its agricultural and agro-industrial potential.

The Government has in the past been slow to acknowledge the importance of a rehabilitated road network—total government provided funds in 1984 were 0.5 per cent of Zaire's GNP—and the result of preceding years of inadequate funding was the steady decline of OR's construction and maintenance equipment and an acute shortage of spare parts.

Partly in response to donor pressure, the Government agreed in 1983 to tackle the funding problem by increasing OR's share of the state-levied road tax on petrol and diesel, which was followed by further increases in 1984 and 1985.

The second important element in the Government's response involves proposals to reduce OR's debts — put at Zaires 145-150m in local currency to contractors, and approximately U.S.$6m in foreign exchange.

Unless the debts are repaid promptly the 1986-88 highway programme drawn up could be in jeopardy, for sub-contractors (who carry out much of the work) will be reluctant to take on new projects until past work is paid for.

After negotiations with donors involved in the highway programme, the Government has agreed that OR will have sufficient resources (much of its coming from their increased share of the road tax on petrol and diesel) to repay outstanding local debts by mid-1986.

The Government-compiled programme for the 1986-88 period is welcomed by donors who support the concentration of resources on maintenance and rehabilitation. But the Government may fall short of the foreign exchanges cost — at least U.S.$190m — of the U.S.$375m programme.

When put to donors last March at a World Bank-chaired meeting in Paris, pledged funds were well below the programme's requirements and it now seems inevitable that it will have to be scaled down.

Michael Holman

Tough on the wallet

Businessman's guide

MICHAEL HOLMAN

The main boulevard in Zaire's capital, Kinshasa where the restaurants are among Africa's finest

TO MANY people Zaire will always be the heart of darkness, the gloomy, foreboding land of Conrad, scarred by bloody upheavals in the 1960s and the Shaba rebellions of the 1970s, a country either to avoid or to visit with trepidation.

The myth, however, is far, far worse than the reality. Let us begin with Ndjili Airport, undoubtedly one of Africa's least salubrious entry points whose gloomy cavern-like halls seem particularly depressing in the early hours of the morning—the time most airliners seem to arrive.

It is manageable none the less. Armed with your visa (essential) and cholera and yellow fever vaccination certificates the first hurdle may seem disquieting: one is separated from the immigration officer by an opaque glass screen which leaves only a narrow gap above the desk.

A hand will emerge, tapping the counter impatiently, if you are slow to realise that you are expected to slip your passport under the screen. The intermittent muffled thumps that can be heard are the sound of the same document being stamped.

You should also have your currency declaration form endorsed, but as often as not the forms are not available. With or without tha form, it is important to keep the receipts for all currency transactions and be ready to show them on departure. (Allow at least UK£125 a day for basic costs—Kinshasa is probably the world's most expensive city for the business traveller, certainly on a par with Lagos.)

The next step is the baggage hall where passengers seem to be outnumbered by porters, taxi drivers and men in dark glasses. Unless you are being met it is worth negotiating the fare to town at this point, for the taxi tout (or travel adviser as they prefer to be called) will carry your bags, argue your case at the customs point, and see you into your car.

Treat with confident scepticism the claim that there is a fixed price to your destination. The ride to the two leading hotels — Intercontinental and Memling—should be no more than Z£800 (UK£13.50).

Many expatriates arrive convinced that bribes are necessary at every step: not in my experience, but the gentlemen at the airport have as sharp an eye for the gullible visitor as any three-card trick operator on Oxford Street.

Do not let your baggage out of your sight and be especially watchful for one ploy, which I will call "the urchin scramble," used both on departure and arrival at the airport. A dozen or so shouting, gesticulating, pleading youths will descend on your baggage begging for the privilege of carrying it to or from the taxi.

For a few seconds the cases disappear from sight—and it is at this point that hands rummage through the contents as skilfully as any Fagan, and the spoils are distributed later.

Fine restaurants

You are now heading for your hotel and you should pass the journey brushing up your French (essential) and in happy contemplation of Kinshasa's restaurants, undoubtedly among the finest in Africa, with one or two that match the best of Brussels.

Some are listed below, but do not miss Le Caf Conc. For a mid-morning rendezvous the *Kilimanjaro (across from the U.S. embassy)* provides excellent coffee and pastries.

The weekend break can present a problem, for getting out of Kinshasa is not straightforward. If you are staying in the city, wangle an invitation to go out on the Zaire river for the day (many expatriates have their own boats). Attend mass at the Eglise St Alphonse in Matete, for a stunning example of the blend between Catholicism and African tradition.

But if you have two to three days to spare it is worth going much further afield, to Kivu in eastern Zaire, which has some of Africa's most beautiful countryside, and a crisp, fresh climate (take a sweater) which contrasts with tha dull mugginess of most days in Kinshasa.

Head for either Goma (Karibu Hotel) or Bukavu (Hotel Residence). It will not be easy or cheap, will take some planning, and carries the risk that you may be stuck for a day or two longer than intended. Use the private airlines and take passport and health certificates, for they are required even on internal routes.

In many African countries, battling against tha economic recession, visitors are advised to buy spare batteries or their favourite cheese before they leave home. Not so Zaire, or at least Kinshasa, where le shopping supermarket is better stocked than most European counterparts. But it's very expensive . . . Kinshasa offers few bargains, but if you are hiring a car the best deal the city offers is a driver for an extra £4 to £5 a day.

EMBASSIES: Britain (Tel.) 23483/5/6. Belgium: 24424/25539. France: 22669/25566. EEC: 32718/32557. United States: 25881-6. Zaire Embassy, London: 26 Chesham Place, SW1. 01-235 6137. Telex 25651.

HOTELS:
Kinshasa: Intercontinental: 27284/27355/27895, Telex 21212. Memling: 23260/23266, Telex 21654. Okapi: 81441.
Lubumbashi: Karavia: Telex 234. Park Hotel: 3521-3, Telex 311.
Kisangani: Zaire Palace: 2664-5.

CAR HIRE: Avis: (at Hotel Intercontinental). 27284. Hertz: 23322/24477.

RESTAURANTS: Caf Conc: 26132. La Deviniere: 81571. Chez La Deviniere: 81571. Chez Nicola: 30253. L'Etrier: 22583. (Credit cards are accepted in main hotels and restaurants and by Hertz and Avis).

OFFICE HOURS: Government 07.30 to 17.00, Monday to Friday (Ministers private offices 07.30-13.30, 16.00-19.00).

AIRLINES: Sabena: 28424/28505/28457. UTA: 25077/26718/26995. TAP: 22345/28051. Swissair: 23371-4. Air Zaire: 24885-9.

Air Zaire's internal flights are unreliable. Private airlines offering scheduled services to internal destinations include: Scibe Airlift: 22276/23562/24386. Zairean Airlines 23533/24624. Air Charter Services (ACS): 27891/28502.

HEALTH: Malaria Prophylactics are essential. Valid cholera and yellow fever certificates.

BANKS: Banque du Zaire (central bank): 30681/30690/30761. Barclays Bank: 22536/22578/25777. Grindlays Bank: 26512/26557. Banque Commerciale Zairoise: 26401-4. Union Zairoise de Banques: 25801-5. Banque da Paris et des Pays Bas: 24745-7.

The postal service is erratic. DHL, the courier company, have offices in Kinshasa (24353, Telex 21004) and Lubumbashi (4942/2461).

Obstacles in path of growth

Agriculture

PATTI WALDMEIR

IT HAS become almost a cliche to say that Zaire, a country of relatively fertile soils and plentiful rainfall, has tremendous potential as an agricultural producer.

Its potential is exceptionally varied, ranging from foodcrops such as cassava, maize, rice and sugar to export crops like palm oil, tea, cocoa, rubber, cotton and coffee (Zaire's largest agricultural export), to timber, fishing and stockfarming.

Yet, while the Government has taken a few tentative steps to exploit this potential, since launching its economic reform programme in 1982, most agricultural experts agree that the obstacles which stand in the way of sustained growth in the sector remain overwhelming.

Some 25 years after independence in 1960, production of most export crops has fallen below pre-independence levels, and a country which used to be self-sufficient in food production—despite the most daunting transport problems faced anywhere on the continent—has for the past several years been forced to import large quantities of basic foods such as maize and rice.

In Zaire, agriculture is referred to as the "priority of priorities." But while it is given pride of place in the rhetoric of government pronouncements, the sector's meagre claim on budgetary resources leaves many agricultural experts and donors in doubt as to the actual commitment of government to agricultural development.

Agriculture's share of the 1985 recurrent budget of Zaire amounts to under 1 per cent, with most of this money going to pay staff salaries, and precious little left over to pay for essentials like transportation for agricultural extension workers. What is more, both the recurrent and capital budgets of the Ministry of Agriculture have been blocked since January, leaving donor-assisted agricultural projects starved of the counterpart funds which the Zaire Government is meant to provide.

Agriculture ministry officials argue that the low budgetary allocation for their ministry is misleading as it does not include spending on transport infrastructure, which would certainly have a greater short to medium-term impact on output than spending on agriculture per se. However, even in this area, budgetary resources have been lacking, with the crucial rural roads maintenance programme receiving only the equivalent of £1m in the 1984 budget.

Officials argue that reduced Government involvement (and spending) on the sector would be the natural consequence of the liberalised policies which it intends to implement. "We want to be involved in agriculture only as a last resort," says one senior ministry official. "Where private sector companies can do the job, we want them to do so."

The first fruits of liberalisation are now being reaped in the countryside, in the form of higher production of basic foodcrops and some important export crops, such as coffee, after the de-control of producer prices two years ago.

While statistics on foodcrop production are notoriously unreliable, most experts believe that the freeing of prices, many of which rose by 100 to 200 per cent as a result, has led in some areas to a substantial rise in production—although they caution that liberalisation will have little meaning in remote areas where the difficulty of access means that a single trader holds a virtual monopoly over purchases.

In some areas, the freedom of the market continues to be constrained by the local *authorities' practice of enforcing* cultivation of some crops, notably cotton, a highly damaging colonial practice which survives to this day in certain areas.

Cheap imports

Liberalisation has also had a negative impact on sugar and rice producers, as the domestic market has been thrown open to cheap imports against which they are ill-equipped to compete.

On the whole, donors applaud the decision to liberalise prices. But they note that in a country like Zaire, four times the size of France but with only 1,400 miles of paved roads, incentive prices can do little on their own, unless backed by a massive programme of transport rehabilitation and expansion.

According to one authoritative assessment, farmers currently receive only 20-40 per cent of the retail price of their produce because of high transport costs, and the virtual inaccessibility of many areas of the country makes marketing any surplus impossible.

Some agricultural experts say they doubt whether the current laissezfaire attitude will lead to sustained long-term growth. The coffee sub-sector is a case in point: apart from controlling the quality of coffee exports, the state has virtually no involvement at all in the development of a sector which is the country's fifth largest export earner, bringing in some U.S.$116.5m in foreign exchange in 1983. The sector is dominated by smallholder farmers who have virtually no access to credit or modern farming methods.

While price liberalisation has led to a substantial rise in coffee output (some put the increase at 20-25 per cent, including output which was formerly smuggled to neighbouring countries) most of the increase has come from more intensive smallholder harvesting of coffee trees, while development spending on replanting, on disseminating improved cultivation techniques and even on distributing crucial inputs like insecticides has been left to private coffee trading companies who so far have shown little motivation to invest in long-term development.

While it is clear that Zaire has attempted to put into place the necessary incentive structure for recovery, the prospect of self-sustaining growth remains in doubt because of agriculture's daunting handicaps: low budgetary allocations, the relatively slow renewal of private investment, woefully inadequate credit and extension facilities, and most of all, a transport infrastructure crippled by years of neglect and cowed by the sheer immensity of this vast nation.

Agro industrial production
(in tonnes)

Products	1977	1978	1979	1980	1981	1982	1983	†1984
1 Palm oil	104,856	98,648	98,513	93,155	97,846	68,198	78,700	79,726
Exports	21,495	9,647	—	10,007	6,154	4,169	2,476	6,386
2 Palm kernel oil	22,178	20,153	18,402	22,598	22,846	22,148	15,264	15,904
Exports	15,038	17,200	17,595	18,734	18,948	13,374	15,177	[illegible]
3 Palm cake	29,667	26,214	25,485	27,739	33,909	28,296	22,261	22,100
Exports	26,037	22,623	18,145	24,208	30,710	21,478	17,254	19,411
4 Robusta coffee	56,492	76,800	60,039	73,868	64,043	64,938	60,488	65,452
Exports	55,932	71,646	55,039	67,717	59,043	59,938	55,488	60,452
5 Arabica coffee exports	8,180	10,202	7,769	8,406	8,602	8,066	7,866	8,893
6 Logs	321,671	331,721	350,000	325,000	350,000	375,000	401,000	415,000
Exports	59,231	43,186	48,227	66,064	66,439	73,036	76,092	94,191
7 Sawn timber	95,777	101,510	87,961	68,056	61,250	73,500	112,000	115,000
Exports	29,376	30,690	28,600	21,839	19,680	22,339	18,184	27,142
8 Rubber	29,959	28,390	19,876	21,269	20,175	17,254	15,016	15,815
Exports	27,622	26,083	17,888	19,472	18,509	14,927	13,014	14,897
9 Cotton	10,000	5,000	6,000	9,741	8,000	8,300	8,505	8,000
10 Sugar cane	553,929	475,257	491,843	482,870	535,740	543,569	615,509	553,952

† Provisional.

Source: Bank of Zaire.